

# Financial Feasibility Study and Review of Operations for Bill Roberts Golf Course in Helena, MT



Prepared For:

**City of Helena Parks & Recreation**

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Prepared By:



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Parks & Recreation Director  
City of Helena  
316 N. Park Ave  
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**Re: Review of Bill Roberts Golf Course Operations & Clubhouse Feasibility Analysis**

Dear Amy:

This letter comprises a summary of National Golf Foundation Consulting's ("NGF") review of the City of Helena ("City") municipal golf operation – the 18-hole Bill Roberts Golf Course ("BRGC"). This summary is based on NGF's review of this property in the late spring of 2016. The June 6-10, 2016 site visit included an inspection of BRGC and meetings with City and golf course staff, as well as the Golf Advisory Board and Men's & Ladies League representatives. In addition, the consultant utilized other information to assist with the review, including demographic data, NGF golf market research, a BRGC golfer survey, and in-market competitive data.

This review includes a strategic look at the City's municipal golf offering, with a primary focus on identifying ways to enhance the revenue generating capability of BRGC in light of the City directive that the Golf Fund remain fully self-sustainable, including capital needs and debt obligations. This is particularly salient now that the City is facing a 10-year CCIP schedule totaling \$2.9 million, as well as ADA-required remedies totaling more than \$165,000 in the coming years. A secondary focus of the engagement was for NGF to review BRGC management's use of "best industry practices" in operating and marketing its golf facility. Other issues addressed by NGF include the physical condition of BRGC, the market environment in which the facility operates, and the national landscape with respect to golf participation.

This NGF review was managed by Ed Getherall, MBA, Director of Consulting, with administrative support provided by Jodi Reilly, Research & Consulting Administrator. This letter provides an "at a glance" summarization of the NGF review, detailing the main findings and NGF recommendations for the City in the continued operation of BRGC. Full support and documentation is contained in the body of the report.

We note that the findings and recommendations made by NGF are reflective of a limited view of the operation, and are based on both on-site findings from our June field research, our extensive experience in reviewing municipal golf facilities, and a detailed analysis of operational data from BRGC and the City of Helena.

## OVERALL SUMMARY

NGF's review shows that Bill Roberts Golf Course is a well maintained, enjoyable, and very well managed facility that is located in a beautiful setting. It is very popular with local golfers, and serves many purposes for the community. The recommendations NGF sets forth later in this report are in consideration of the need to enhance the revenue generating capabilities of Bill Roberts, and in full realization of ongoing operational expenses, needed ADA-related remedies, and the significant capital program planned for the next ten years.

- The City (including Golf Advisory Board) and golf course management have utilized industry best practices to grow rounds and revenues in the face of national headwinds with respect to golf participation, and despite the facility limitations documented in this report with respect to revenue generation constraints. Rounds played, currently at ±45,000, are among the highest that NGF has observed for an 18-hole facility in the Mountain states.
- The facility enjoys a convenient location, beneficial surrounding land uses, affordable fees and good conditioning. BRGC is home to a large group of regular play customers, many of which belong to one of several leagues. The course is also popular with local scholastic teams, helping to maximize the “public purpose” use of this City facility.
- The golf course is accounted for by the City as an “Enterprise Fund”, meaning it is expected to generate revenues sufficient to support operations. The facility has generated approximately \$1.4 million in total on-site revenue from golf operations in the last two fiscal years, sufficient to cover on-site expenses, capital needs and annual debt service, though short-term internal loans are required in some years to meet non-operating ‘below the line’ expenses.
- The BRGC Enterprise Fund continues to be self-sustaining despite significant and ongoing capital needs. Though NGF documents some deficiencies that should be addressed to enhance the overall golf experience (e.g., cart paths, bunkers, on-course services, pace of play), and makes recommendations relating to best business practices, the main negative we see at BRGC from a business perspective is that the current pro shop and clubhouse facilities act to significantly constrain revenues.
- The City faces significant expenditures on the golf course, equipment and support amenities over the next decade, in addition to ongoing operational expenses. These include ~\$166,000 to remedy ADA non-compliance issues, and \$2.9 million in the 10-year CCIP, culminating with replacing the underground irrigation components in FY 26.
- Contrary to national trends, total operating revenue has been on the rise at BRGC. NGF survey research from a few years ago indicates that only about one-third of public agency golf courses are currently covering all expenses (including debt, overhead and capital obligations), while one in three are unable to cover operating expenses.
- Several revenue centers (e.g., merchandise, food & beverage) at BRGC have been on the upswing, partially attributable to the presence of the golf simulator. These results have been achieved without an increase in facility fees (green, season pass, punch cards) the last few fiscal years, and despite some headwinds that golf is facing nationally with respect to participation.

- The City and golf course management face some inherent constraints with respect to meaningfully increasing revenues at BRGC, in its current configuration. These include the capacity of the golf course given the short golf season, the limited ability to sell 'rack' green fees and, most important, the substandard pro shop and clubhouse buildings. In addition to facility constraints, BRGC has some internal dynamics - including season pass trends and tee time accessibility for some groups - that are limiting golf revenue growth. As a result, the City must identify a strategy that will position the facility to be self-sustaining for the long term.

The review and recommendations contained in this report are designed to help the City understand the actions it can take to help maximize the performance of BRGC, but also that the economics of all golf courses will continue to be subject to uncontrollable factors, such as yearly weather variations, competitive factors and unexpected expenses. The most salient high-level findings from NGF are noted below, with more detail and documentation provided in the body of this attached report:

## EXTERNAL ENVIRONMENT

### National Golf Industry Overview

While socio-demographic, financial and cultural headwinds persist for golf, the industry continued its macro trend toward stabilization in 2014-2015. Golf's pay-for-play green fee revenues and other spending on the sport will always be vulnerable to outside forces such as weather and the economy, but the overall participation rate remains at  $\pm 9\%$ . The game remains popular and is fortunate to have a deep well of interested prospects.

Some socioeconomic and demographic trends continue to present challenges for golf operators. For instance, golf is having trouble attracting and retaining young adults (i.e., Millennials); though this segment continues to account for a large percentage of annual play and spending, factors such as debt and competing recreational activities have suppressed golf demand from this segment.

The number of beginners – about 2 million in 2015 - looks to be on the upswing again, and overall interest in playing golf remains very high. NGF survey research indicates there is more than one prospect golfer for every existing golfer, or about 25 million strong.

NGF's Municipal Golf Survey in late 2013 showed some key results that are indicative of the struggle that an increasing percentage of municipalities are having in terms of generating operating revenue sufficient to cover all expenses. The survey showed:

- A third of Golf Enterprise Funds had a negative cumulative fund balance
- More than half that had debt were unable to meet all expenses
- 70% of all reporting facilities had to defer capital improvements due to financial considerations

### Local Golf Market

- NGF's Golf Demand model indicates that golf participation rates in the local market are about 8% higher than the national household participation rate of 13.9%. Rounds demand per household is also estimated to be about 8% higher than the national benchmark.

- BRGC is the clear choice for Helena public golfers, as NGF estimates that its rounds activity is more than twice that of Fox Ridge. Fox Ridge offers similar or identical daily green fee and 10-card punch prices to BRGC, but is \$150 and \$260 higher, respectively, for Single and Couple season passes.
- Green Meadow CC offers an excellent and scenic golf course, large modern clubhouse, fine dining, banquet room, smaller meeting room, swimming pool and fitness center, and is popular with both business professionals and young families. The club General Manager, formerly a long-time assistant at BRGC, reports about 384 Full Golf members after adding 64 during a recent membership drive.
- Though both Green Meadow and Bill Roberts serve the Helena market with unlimited play memberships, they serve very different niches/markets at vastly different costs. As such, NGF does not consider Green Meadow CC to be a direct competitive threat to BRGC in terms of its *core constituent*, although the private club obviously does offer much for young professionals and active families that the municipal course cannot. Of course, if Green Meadow one day aggressively (and permanently lowered annual dues), the competitive dynamic in town could change.

## GOLFER SURVEY

NGF's Golfer Survey Program elicited a response from 334 BRGC golfers. Of the total survey group, 9% of respondents described themselves as a League Player, 24% as a Passholder-League member, 33% as a Passholder-Non-League member, 15% as a Punch Card Holder, and 19% as a Daily Fee player. Key findings:

- Overall satisfaction with BRGC is generally good on an absolute scale, though satisfaction benchmarked against other Standard price point facilities (peak fee including cart between \$40 and \$70) that utilize the NGF survey system is roughly in the bottom third percentile. Daily fee players produced the lowest satisfaction rating (7.1), Women's League members the highest (9.3).
- The factors that showed highest level of satisfaction are related to golf course, scenery/ aesthetics of the course, and friendliness/ helpfulness of staff. Factors that rated lower on satisfaction included pace of play, support amenities (clubhouse, pro shop) and on-course services (restrooms, drinking stations, beverage cart).
- NGF noted several key themes with the open-ended custom question comments survey respondents made about **other reasons they use the clubhouse/grill half the time or fewer**, including:
  - Facilities outdated, small, uncomfortable and uninviting
  - Limited and/or unhealthy food options
  - Slow service / lack of adequate staffing
  - Don't serve liquor
- Given a description of what a new building would comprise, approximately 6 in 10 respondents indicated that they would patronize a new clubhouse more often than the current one (15% were not sure). One in five said they would use the facility *much* more often. Among those who answered "yes", 8 in 10 said they would utilize the new grill during some days *when not golfing*.

## RECOMMENDATIONS

### New Clubhouse Feasibility

When the effect on all relevant revenue centers is measured, incremental gross revenues associated with the new clubhouse and 12-month revenue generation are projected to be about \$419,000 in Year 1, with the resulting net incremental revenues, after cost of sales and other expenses, projected to be \$162,000. NGF has estimated a Warranted Investment for the clubhouse project, utilizing the financing terms shown below.

For purposes of this study, NGF has utilized current interest rates for the InterCap Loan Program. However, we note that this is a variable rate program, and that interest rates may change by the time financing for a new clubhouse is put in place. (We present an interest rate sensitivity analysis in the body of the report).

- City InterCap Loan
  - Terms of 15 years
  - 1.55% interest rate
  - 1:1 coverage ratio

Based on Year 1 incremental net revenues and these financing terms, NGF estimates the **Warranted Investment level for the new clubhouse to be about \$2.15 million.** (As we will see in the Financial Projections section, the number grows to \$2.56 million when using 'stabilized' Year 4 net cash flows). The warranted investment relates to the sum of all project costs, including soft (consulting, permitting, etc.) and hard costs (construction costs; contingency; one-time start-up costs such as kitchen equipment, simulator, furniture and fixtures, etc.).

Based on NGF's conclusions regarding increased utilization of current revenue centers, addition of new revenue sources, and much broader appeal for existing and new user groups, we believe that the addition of a new multi-function 12-month clubhouse at BRGC will have significant positive impact on facility net revenues. For purposes of conservatism, NGF's analysis assumed *only* revenue resulting directly from the addition of the clubhouse, and not the potential positive effect on other revenue centers such as rounds played (e.g., more outings, or higher fee for existing outings). Finally, an additional benefit of a new building – one **not** included in the projected incremental net revenues – is that ADA related repairs (estimated \$130,000 for buildings) and other needed capital items, such as new roofs, are obviated under this scenario.

NGF believes that our base assumptions that drive the revenue estimates are conservative. Still, ***while the City has the opportunity to create a popular new community destination, it is essential that the new clubhouse be programmed correctly and not "overbuilt". It is also very important that the City conduct further study to get a very firm handle on probable costs.*** If planned properly, the new clubhouse building should position Bill Roberts Golf Course to compete effectively and generate revenue at a high level for many years - well beyond the time the debt is paid off.

## Operational Recommendations

NGF's review revealed a very well run golf facility, generating high activity levels and increasing revenues in the face of national trends that suggest performance should be level or even declining. However, NGF identified some modest operational adjustments that, when implemented together, can result in making an already successful operation even stronger. These recommendations are based on the consultants' experience and expertise, and stem from a limited review of the operation and facilities. We also recognize that some of these items are already be enacted to varying degrees.

### Daily, Punch Card, and Season Pass Fees

Below are NGF's recommendations regarding fee levels at BRGC.

#### Daily Green Fees

- Consider a loyalty/frequent player program, which is an effective way to increase frequency of play among some customers. These programs involve a low-fee or no-fee membership that entitles the holder to fee discounts or allow them to accumulate points that can later be applied toward purchases.
- Examine demand patterns among daily fee players and consider instituting a weekend rate that is \$2 to \$4 higher than the weekday rate.
- Create an advance reservation rate (cart included) for groups of 8 or more that is prepaid and non-refundable, and priced at a \$5 or so premium over the regular daily fee rate. This would require a policy change from the 7-day advance for all.
- Offer promotional deals (marketed via email blasts), including packages with food & beverage and/or driving range bucket, to help fill tee times that typically go unsold (e.g., slow times on Thursday, Saturday afternoon).

#### Punch Cards

Our analysis revealed a 22.5% effective discount off of the \$20 nine-hole walking fee for the regular 10-Round card, while the other 10-Round cards, as well as the 30-Round card, offer effective discounts higher than 30%. Based on NGF's experience with municipal golf operations within enterprise funds, we recommend discount percentages for BRGC's punch card program in the 15% to 20% range. (The current 10-Round discount for active military, juniors and students remain the same in the NGF recommended structure). With this change, we also recommend that the 30-Round card **extend to a 2-year expiration date**. (Extending the expiration date by one year may have an unintended benefit in that some tee times may open up for max-revenue daily fee rack rounds).

#### Season Passes

NGF took into account factors such as frequency of play, effective green fee revenue per round for season passes, and the fact that BRGC is accounted for as an Enterprise Fund and recommended that the City work towards (i.e., several years down the road) Individual Adult pass pricing that ultimately reflects a multiple of the 18-hole daily fee rate of 25 times (20 times for Restricted Individual Adult).

In terms of recommended pricing for FY 18, NGF proposes a \$40 increase for Unrestricted Individual Adult, and \$30 for Unrestricted Individual Senior; increases in other categories would be commensurate with proportional increases as enacted in previous years by the City.

## Marketing

BRGC's marketing budget – equivalent to about 1% of gross revenue - is appropriate for this type of facility. Also, BRGC's situation is somewhat unique in that it is a very busy golf course in a relatively small community, and is not necessarily fighting for market share. If the City ultimately constructs a new clubhouse at BRGC there will be a much greater need for enhanced direct selling and marketing, though efforts will still be most impactful financially if directed at revenue centers such as food & beverage, simulator use, and meetings/facility rentals. **NGF recommends that marketing efforts focus on creating new programming and targeted marketing to help fill the few slow tee time periods.**

Some areas of marketing emphasis noted by NGF for BRGC include:

**E-mail** – BRGC should make more use of email marketing as a yield management tool to attempt to sell tee time inventory that might otherwise go unfilled (e.g., Thursday and Saturday afternoons). We also recommend, as a best practice, that there be a policy dictating that pro shop staff ask every unknown customer who walks through the door their email address and zip code.

**Website and Internet** – The Internet is the most cost-effective form of advertising for golf facilities. The BRGC website has most of the essential elements NGF recommends for public golf course websites. However, we believe the website should be refreshed with a cleaner look, more and better photos, and a more impactful landing page.

**Area Lodging Properties** - Cross-promotions and package deals with area hotels and motels can be an effective tool in destination markets (though, again, BRGC has some course accessibility constraints). This may involve allowing for a special rate that can be exclusive to lodging partners, and/or allowing for a longer advance tee time policy for bookings.

## Internal Charges

The City allocates internal charges to the Golf Fund for services according to a uniform process and formula based on FTEs. It is impractical to benchmark these charges across cities and golf funds, due to the high number of variables involved. NGF Consulting has seen a range from \$0 up to \$400,000 or more for 18-hole courses during its many years of doing municipal golf operations reviews. The 2013 NGF Municipal Golf Survey showed the median annual transfer from the Golf Enterprise Fund to the General Fund was \$119,000; a local example shows the City of Great Falls charging \$142,000 for two courses and 36 holes.

NGF concludes that the amount of the charge for any municipality boils down to a public policy decision based on two key factors: 1) Is the amount of the charge justified based on the actual cost for other departments to provide these services?; 2) Does charging this amount result in a reduced operating budget (thus perhaps weakening the facility's ability to compete effectively) and/or preclude the Golf Fund from financing necessary capital improvements, the deferral of which will eventually lead to a serious deterioration of the product?

Each municipality must answer these questions according to their own policies and objectives, as well as the health of their General Fund. *In general, the NGF recommends that the services be charged at a rate as close to "market" as can be established.* That is to say that the golf course should not be charged for these services at a rate that would be higher than would have to be paid for the services if acquired through private sources on the open market.

## Food & Beverage Operation

F&B service at a public golf course is not necessarily intended to be a profit center, but rather is there to support the primary business of selling green and cart fees. Even if the City decides to not build a new clubhouse, we believe there are some practices that should be enacted to improve operations (some of these, such as theme nights, will be much more practical with a new building). While not all of these recommendations will result in improving the net return of Concessions, they are industry best practices with respect to providing service to golfers.

- Enact consistent hours of operation for clubhouse and food & beverage cart; with the first tee time during the summer at 6 a.m., early morning golfers should be able, at a minimum, to purchase coffee and Danish, even if on an honor system.
- Reintroduce grab and go items, such as premade sandwiches, as well as the hot dog machine.
- Run a barbecue grill, especially during busier times, with items such as hamburgers, hot dogs, and grilled chicken at the ready. This should improve the pace of golfers making the turn.
- Create events such as theme nights and brunches (prices are just illustrations):
  - **Mondays:** 50-cent wing night + happy hour through *Monday Night Football*.
  - **Tuesdays:** \$5 pasta night.
  - **Wednesdays:** Trivia night with buffet menu.
  - **Fridays:** Pub night with light fare menu
  - **Sundays:** Sunday brunch special \$9.95 adults and \$6.95 kids

## Programming

For every public golf course, it is now considered an “industry best practice” to be active in creating targeted programming for groups that have relatively low participation rates, but represent a high percentage of “latent demand” for the game. For example, women account for about 20% of golf participants, 40% of beginners, and an even higher percentage of interested non-golfers. Programming, such as leagues and special events (e.g., “Wine and Wedges”, “Wine and Nine” events), are also key to making the golf course a more inviting and social place for women.

Also, one of the major initiatives to grow activity that NGF recommends is specialized programming and events aimed at onboarding or simply increasing the patronage of young adults. National NGF research (“*Golf & the Millennial Generation*”) has shown this to be a key demographic in growing golf activity. In a separate document, we have provided a copy of this research report, which contains actual examples of programming and events that golf operators have instituted to increase the golf participation and engagement of young adults.

## Technology

- Make more use of the POS system to help BRGC management better understand its customer profile segments with improved reporting and sales data, as well as assistance in marketing and customer tracking.
- Look into an online reservation system, which the vast majority of quality golf courses offer.
- Consider developing a smartphone application that includes yardage guides and allows golfers to receive text alerts broadcast from the email system. Having a

mobile application facilitates connecting with the customer, and can be especially appealing to young adults.

### **Pace of Play Management**

While there is no magic bullet that can be pressed at a busy municipal golf course – especially during peak demand times - that has customers with all manners of skill levels, there are some things that can be tried to speed up play and mitigate the pace issue. A training (or retraining) program for marshals might make them more effective.

### **Customer Service**

While NGF was not on property long enough to observe any obvious deficiencies in service, the results of our golfer survey indicated there is room for improvement and consistency of service (across user groups). Management should attempt to raise the overall level of service from the moment the golfer sets foot on the property. This includes a friendly welcome, especially for faces that staff may not have seen before.

## **FINANCIAL ANALYSIS - CASH FLOW RESULTS**

NGF Consulting created two cash flow models for BRGC – the first assuming the continued operation of the facilities under the present structure, similar maintenance conditions, and with some NGF recommended operational changes implemented (e.g., season pass fee increases), and the second presuming the building of a new clubhouse as described in this report . We assume no significant change in the Helena area economy. Additional assumptions for each scenario are shown in the body of the report.

### **‘As Is’ Scenario (FY 18 – FY 22)**

The NGF Consulting preliminary cash flow projection shows that, if operated based on the parameters discussed previously, BRGC should generate about \$1.4 to \$1.5 million in total annual gross operating revenue over the near term (through FY 22), assuming stabilized rounds of ±44,000 and only modest average annual increases in most revenue inputs. Considering preliminary expense estimates prepared by NGF Consulting, BRGC is projected to generate stabilized net operating income (before depreciation, capital, and debt costs) of between \$100,000 and \$115,000 each year through the next five fiscal years. At this level of net operating income, the Golf Fund is likely to continue to require periodic internal loans to meet its “below the line” expenses.

### **New Clubhouse Scenario (Year 1 – Year 5)**

The NGF Consulting preliminary cash flow projection shows that BRGC, operating with the same rounds played and season pass sales activity but with a new clubhouse, should generate about \$1.82 million in total gross operating revenue in the first full year of operation after the building is completed. We project this number to grow to about \$2.02 million in total annual gross operating revenue by Year 5, under revenue center growth assumptions as presented above. Considering preliminary expense estimates prepared by NGF Consulting, BRGC is projected to generate stabilized net operating income (before depreciation, capital, and debt costs) of ±\$308,000 by Year 5 of operation.

## SUMMARY STATEMENT

NGF's review shows that Bill Roberts Golf Course is very well-managed, gets excellent value out of its maintenance staff, and offers an enjoyable and affordable golf experience in a beautiful setting. The City (including GAB) and golf course management have utilized industry best practices to grow rounds and revenues in the face of national headwinds with respect to golf participation, and despite the facility limitations documented above with respect to revenue generation constraints.

The ultimate goal of enhancing BRGC's revenue generation capabilities with new and expanded revenue centers is so that the facility can be self-sustaining for the long run, without having to rely on fee increases or 'cut-to-the-bone' budgeting to cover operating, capital and debt costs each year. NGF experience has repeatedly shown us that this strategy can work for only so long, before unexpected expenses, and/or a downturn in revenues make it untenable.

Below are the key summary takeaways from the NGF study:

- The City faces some inherent constraints with respect to meaningfully increasing revenues at BRGC in its current configuration. These constraints include the reduced capacity of the golf course given the short golf season, the limited ability to sell 'rack' green fees and, most important, the substandard pro shop and clubhouse buildings.
- The performance of BRGC and all golf facilities is subject to uncontrollable factors that can affect demand, including a high fixed expense structure, operating expenses that tend to rise more rapidly than revenues, and yearly weather variations. This dynamic makes the goal of enhancing year-round revenue generation at BRGC even more important.
- Season passholders are the lifeblood of BRGC, and are among the heaviest users of other revenue centers at the facility. However, two dynamics with respect to the season pass program are constraining revenue growth. First, effective green fees for these customers are very low, as a result of low prices and a very high frequency of play. Second, with pass sales shifting aggressively toward lower fee categories, BRGC is essentially "running to stand still" with respect to season pass revenues, even in years with fee increases. This reinforces the point that the City must look beyond fee increases to ensure long-term sustainability.
- The golfer survey revealed that overall customer satisfaction with BRGC is generally good, though satisfaction benchmarked against other Standard price point facilities is roughly in the bottom 33%. The factors that showed highest level of satisfaction are related to golf course condition, scenery, and friendliness of staff, while pace of play, support amenities (clubhouse, pro shop) and on-course services fared worse.
- The survey response points toward strong support for a new clubhouse, with about 6 in 10 respondents indicating they would patronize more often if the City built a new golf clubhouse with a "sports themed" grill as described (15% were unsure). One in five said they would use the facility *much* more often, and among those who answered "yes", 79% said they would utilize the new grill during some days *when not golfing*.
- Based on NGF's conclusions regarding increased utilization of current revenue centers, addition of new revenue sources, and much broader appeal for existing and new user groups, we believe that the addition of a new multi-function 12-month clubhouse at BRGC will have significant positive impact on facility net revenues.

- NGF projected that the **Warranted Investment level for the new clubhouse is about \$2.15 million**, based on Year 1 cash flows and *current* InterCap Loan financing terms provided by the City. The number grows to nearly \$2.56 million when using 'stabilized' Year 4 net cash flows. Neither of these figures takes into account the impact of avoiding obviating the need for ADA related repairs (estimated \$130,000 for buildings) and other needed capital items, such as new roofs.
- If planned properly, a new clubhouse should position Bill Roberts Golf Course to compete effectively and generate revenue at a high level for many years - well beyond the time the debt is paid off.

Amy, we appreciate your confidence in the National Golf Foundation and its consulting services, and we have enjoyed the opportunity to be a part of your planning for Bill Roberts Golf Course. We are hopeful that the information and recommendations NGF has provided will assist you and City officials in your upcoming decisions on the golf asset. I look forward to your questions and hope you enjoy reading the consulting report.

Sincerely,

A handwritten signature in black ink that reads "Ed Getherall". The signature is written in a cursive, flowing style.

Ed Getherall  
Director of Consulting Services

[egetherall@ngf.org](mailto:egetherall@ngf.org)

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# Introduction

## PURPOSE

The City of Helena (“City”) retained NGF Consulting to evaluate current operations and analyze the feasibility of potential revenue enhancement opportunities for the City’s Bill Roberts Golf Course (“BRGC”). The ultimate goal of the study is to provide recommendations that should help ensure the long-term economic sustainability of the golf facility, without the need for General Fund (i.e., taxpayer) support. The City is considering options for the future of this facility and seeking to better understand the realistic economic potential of the golf course given market and physical plant realities. Part of the impetus for this study is that the City is facing significant expenditures in the near future to remedy American with Disabilities Act (ADA) compliance issues, including more than \$130,000 that will be needed to fix issues with the pro shop and clubhouse buildings. Additionally, the City has planned for more than \$2.9 million in improvements as part of its CCIP. The results of the NGF analysis will be used to help determine the appropriate course of action.

This review includes a strategic look at the City’s municipal golf offering, with a specific focus on ways to enhance revenues - through both operational modifications and establishment of new and/ or enhanced revenue centers - so that the Golf Enterprise Fund is able to meet operational expenses, fund capital needs, and pay debt service, both for the short- and long term. A key focus area of the operations review component of the analysis is for NGF to make recommendations in areas such as fee levels (e.g., daily greens fee, season passes, punch cards), marketing practices, tee sheet management, and programming to ensure that the operation is being run efficiently and with “best industry practices”.

In terms of the revenue enhancement component of the study, NGF has focused on analyzing the feasibility of the City making significant investment in facilities to allow Bill Roberts to generate revenue on a year-round basis. City and golf course staff envision that 12-month revenue generation - via new facilities - will position BRGC for the future, so that the facility is not solely reliant on fee increases to bolster revenue, and is less vulnerable to yearly weather variations that can negatively affect activity levels and revenues in any given year. City policy requires that the Golf Fund be able to meet all obligations each year out of operations, capital reserve and short-term ‘InterCap’ loans. Therefore, a key factor in this analysis is whether the incremental revenues resulting from investment in facilities will be sufficient to immediately pay off the associated annual financing costs.

## NGF REVIEW – 2016

This NGF review was managed by Ed Getherall, MBA, Director of Consulting, with support work provided by Research and Consulting Administrator Jodi Reilly. In addition to meetings with City of Helena officials and golf course personnel, NGF consultant collected materials to aid in understanding the local market area, including economic, demographic, and climatological data. NGF also collects considerable information and data on the golf industry on an ongoing basis as a regular part of our organization’s work; relevant parts of this information and data are presented throughout this report.

The findings and recommendations presented in this report are based on NGF Consulting experience, knowledge of golf industry best practices, and a review of the BRGC golf course

and support facilities. NGF completed tours and meetings with City staff and golf course management in June of 2016.

Key components and issues of this report include, but are not limited to:

- Overall condition and operating efficiencies of Bill Roberts Golf Course.
- Strategic guidance on issues such as fee levels and potential capital investments to ensure the Golf Enterprise Fund's continued viability.
- Operational best practice recommendations to help expand the customer base and/or revenue center utilization at BRGC.
- Overview of the local and national golf markets.
- Golfer survey to capture satisfaction measures and opinions about potential facility improvements.
- Review of recent operating results (rounds played, revenues, expenses).
- Review of BRGC's present physical condition and planned improvements.

# Bill Roberts GC Facility Overview

The subject Bill Roberts Golf Course is an 18-hole municipal golf course featuring: driving range; pro shop building that includes restrooms, lockers and bag storage; small clubhouse with grill and second-story storage and restrooms; cart barn; and maintenance facility. The golf course is located at 2201 N. Benton Avenue in the northwest section of Helena. Bill Roberts Golf Course is an important element of the City's overall Parks & Recreation system. In addition to serving community golfers, BRGC provides a higher public purpose through special youth programming (e.g., camps), and providing winter activities such as the golf simulator in the pro shop, cross country skiing and snowshoeing. As is the case with many municipal golf course assets, BRGC serves recreational, social, economic and environmental purposes. The City's mission statement for Bill Roberts Golf Course:

***“The Bill Roberts Golf Course is committed to providing a high quality, friendly, and affordable public golfing experience for all ages and abilities within the greater Helena community.”***

The golf course is accounted for by the City as an “Enterprise Fund” (or Program), meaning it is expected to generate revenues sufficient to support operations. With ±45,000 total rounds each year, Bill Roberts GC is among the top 2% to 3% of golf courses in the Mountain Region in terms of activity levels. The facility has generated approximately \$1.4 million in total on-site revenue from golf operations in the last two fiscal years, sufficient to cover on-site expenses, capital needs and annual debt service, though short-term periodic loans from the General Fund are required in some years to meet non-operating ‘below the line’ expenses. And contrary to national trends, total operating revenue has been on the rise at BRGC. For context, NGF survey research from a few years ago indicates that only about one-third of public agency golf courses are currently covering all expenses (including debt, overhead and capital obligations), while one in three are unable to cover operating expenses.

Several revenue centers (e.g., merchandise, food & beverage) at BRGC have been on the upswing, partially attributable to the presence of the golf simulator, but also indicative of strong on-site management and very proactive oversight from City staff and the Golf Advisory Board. These results have been achieved without an increase in facility fees (green, season pass, punch cards) the last few fiscal years, and despite some headwinds that golf is facing nationally with respect to participation. Factors such as the lingering effects from the most recent recession, the declining interest in golf among some segments (e.g., young adults or ‘Millennials’), and the general oversupply of public golf have all contributed to the recent decline.

The review and recommendations contained in this report are designed to help the City understand the actions it can take to help maximize the performance of BRGC, but also that the economics of all golf courses will continue be subject to uncontrollable factors, such as yearly weather variations, competitive factors and unexpected expenses.

## HISTORY

Source: City of Helena

Originally known as the “Last Chance Golf Course”, Bill Roberts GC was established in 1925 as a nine-hole course. The name was changed to Bill Roberts, who came to Montana in 1924 and worked on golf courses in Roundup and Billings before settling in as the Professional and

Greenskeeper at Last Chance from 1940 to 1965. During his tenure, water was introduced to the course in 1942 and 1943. Grass greens replaced the oiled sand greens in 1951. Roberts also planted many cottonwood trees, few of which survived over the years.

Approximately 75 acres of an adjacent mine dredge was proposed to be the location for an additional nine holes of golf designed (Robert Graves) around a private housing development. There were nine new holes built using modern construction techniques and the original nine old holes with push-up greens. The biggest problem was the lack of water. It was common in the summer to let the fairways go dormant because the golf course wells were seasonal and produced only enough water to irrigate the tees and greens.

In 1990 the City recognized the need to improve its golf course. A new construction plan and accompanying fee structure was developed to achieve this goal. Just over one million dollars in bond sales were committed to a two-part project. The plan was to build new tees, greens, bunkers and ponds. A new irrigation system was installed and 360 new trees planted. In 1991, Phase I of the reconstruction began. In 1993, Phase II reconstructed the remaining six holes, with Carl Thuesen as the course architect. The water shortage was also addressed, and the golf course now relies on five ground wells and has access to water on an as-needed basis. The result is a par 72 golf course that plays at 6,782 yards with 43 bunkers and 9 water hazards.

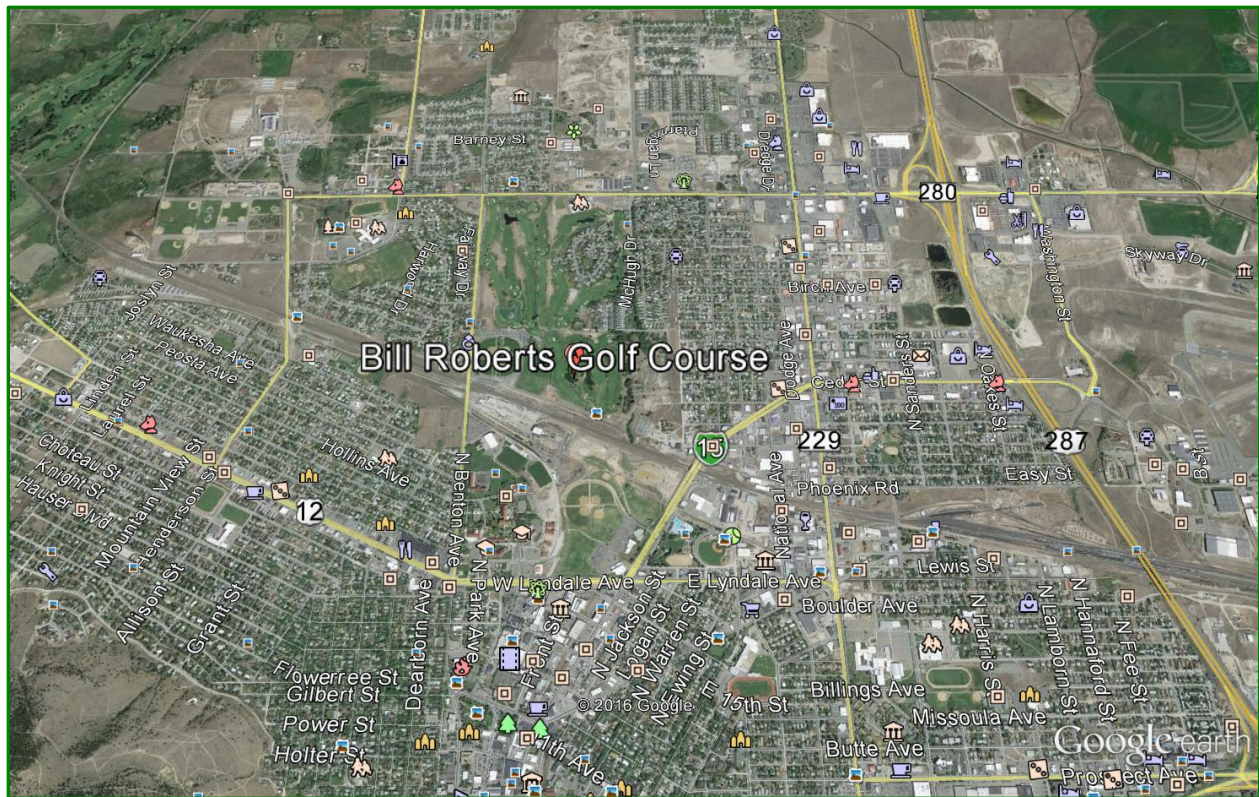
### Scorecard

Bill Roberts Golf Course				
Tee	Par	Yards	Slope	Rating
Blue	72	6,782	123	71.2
White	72	6,391	121	69.2
Red	72	5,612	129	70.7
Gold	72	4,700	117	65.3

## LOCATION, ACCESS AND SURROUNDING ELEMENTS

Bill Roberts is located in the northern part of Helena, about 1.5 miles west of I-15 and 2 miles west of the Helena Regional Airport. Access to the site is via Benton Ave. The course is bounded by Custer Ave. to the north, Benton Ave. to the west, and by McHugh Drive and Gold Ave. to the east. The entrance to BRGC is about 0.6 miles north of US 12 (Euclid Ave./W. Lyndale Ave.), about one mile north of downtown Helena, and 0.6 miles south of Custer Ave.

BRGC is conveniently located and enjoys good accessibility. Surrounding land uses are positive in terms of demand drivers for golf, as well as other uses such as food & beverage. Land uses along Custer Ave. to the north are a mix of commercial and residential, with no restaurants. Directly to the west of BRGC (and the softball fields) across Benton is a residential area. To the east, holes #1, 2, 3, and four of the golf course surround a residential subdivision of  $\pm$  50 homes. Further to the east of McHugh Dr. and Gold Ave. are more residential areas. South of the golf course is Carroll College, which has enrollment of about 1,300 students, and just south of the college is Euclid/W. Lyndale/US 12, which is home to the nearest dining establishments until you reach downtown.



## GOLF COURSE AND SUPPORT AMENITIES

Below, NGF provides a summary overview of the physical plant (golf course and amenities) at BRGC, including current condition, recent and planned improvements, and ADA issues. (A review of the golf course physical plant was not a primary component of the NGF scope of services).

### Golf Course

The golf course was in generally good condition during NGF's visit in June 2016, despite budget constraints and consistent turnover in maintenance laborers from year to year, requiring continual training of new staff. Summary comments of various golf course components follow:

- **Greens:** The greens (9 older sand-based greens plus 9 constructed in the early 1990s) are in very good condition and, as we will discuss in the Golfer Survey section, the BRGC golfers are very pleased with the condition of the greens.
- **Tees:** Tees are also in generally good condition, though they rated below the condition of the greens and fairways on the golfer survey.
- **Fairways:** BRGC sits on an old mine, and the soil is rocky clay with little topsoil, providing maintenance challenges. Fairways are generally compacted, and the money for an aerator (~\$65 to \$70K), which opens the soil and allows air, water, and nutrients reach the turf roots, is not currently in the **Comprehensive Capital & Inventory Program ('CCIP')**. The fairways have some challenges with respect to *Poa Annua* management in the spring and early summer. For instance, areas of the fairway stay brown until late spring and early summer. However, a *Poa* management

program is not currently feasible with current budget limitations. Also, the fairways tend to yellow in late summer; the Superintendent will be sending out samples to determine if this is a soil water issue.

- **Irrigation:** The golf course relies on five ground wells and has access to water on an as-needed basis. There are two primary storage ponds. Irrigation on the front nine date back to the 1970s, while the back nine irrigation system was installed in the early 1990s. Recent above ground improvements include a new pump station, computer/base control, and field control unit. The Superintendent expects that with more active management of the new control system, water consumption will decline.
- **Bunkers:** BRGC has 43 bunkers; they are not lined and require “constant grooming” (3 hours raking, 5 days a week). The condition of the bunkers and the bunker sand is also a main source of consternation among golfers that responded to the golfer survey. The Superintendent is considering adding weekends to the bunker raking schedule, though this would equal approximately 8 hours a week more of staff going out and raking bunkers.
- **Cart Paths:** The need for improvement to the cart paths was a recurring comment in the golfer survey. The long-term wish list is for concrete cart paths, but in the short-term, problem areas will be repaired, regraded, reshaped, and re-graveled (within maintenance budget).
- **Golf Carts:** the 55-cart fleet (2013) appeared to be in good working condition.
- **Maintenance Equipment:** BRGC benefits from having an excellent Mechanic who is able to stretch the life cycles of equipment. That said, when equipment does ultimately need replacing, and several pieces fall within a similar age group, the cost becomes significant. Much of what is replaced tends to be over 10 years old, with 3,000 to 4,000 service hours. The most recent major purchase was for two greensmowers in 2015.
- **Drainage:** Staff does not report any significant time that the course is closed due to wet conditions, so drainage does not seem to be a notable revenue constraint.
- **Practice Facilities:** The driving range features both grass teeing areas and mats, but size and maintenance constraints preclude allowing use of the grass tees as often as golfers would prefer (which is all the time!). BRGC also has a good size practice green and a small learning center building south of the clubhouse.
- **On-Course Services:** BRGC does not have permanent restrooms on the course; rather, there are four Port-O-Potties on the course. For drinking water, there are drinking stations at holes #4, #7, #13 and #16.

All in all, Bill Roberts Golf Course is a well maintained and physically beautiful golf course, with abundant natural foliage, scenic views of surrounding mountains, varied terrain and elevations, and abundant wildlife.



Photos illustrating the aesthetic beauty of the Bill Roberts Golf Course.

## Pro Shop and Clubhouse

The separate pro shop and clubhouse buildings at BRGC present significant revenue constraints for the facility, and are the primary focus of the NGF study.

### Pro Shop

The approximate 2,800 square foot pro shop building is a frame structure dates back to the 1970s and that includes the pro shop, restrooms, lockers and bag storage, and very small office for the Head Golf Professional and his assistant. The building has new roof and has enhanced landscaping on its north and south sides, but feels generally dated, has ADA compliance issues and presents revenue constraints due to the small size and lack of 'buying atmosphere' of the retail area. The pro shop is reconfigured during the winter months to accommodate the golf simulator. Aside from ADA issues, the pro shop needs a new roof and new fixtures in the bathrooms.



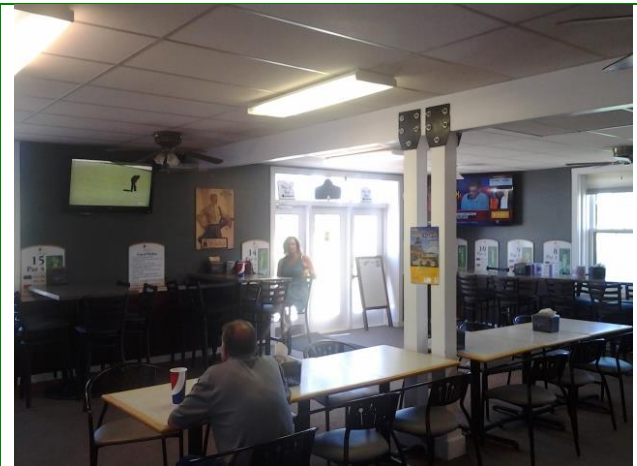
The Bill Roberts GC pro shop building from the front (l) and rear (r) view.

## Clubhouse

The small clubhouse is an old building that was moved to BRGC in 1984; it includes a seating area for about 55 patrons, and a small outdoor patio on the east side of the building. Landscaping on the north side of the building has been enhanced. Some of the clubhouse limitations NGF observed during our visit:

- The very small kitchen can accommodate only one staff person at a time; there is no prep area, limited storage, and room for only one grill. This set up significantly slows down service, including for golfers coming in at the turn, which negatively affects pace of play on the golf course.
- There are no grab-n-go items, such as premade sandwiches (there were formerly).
- Hours of operation are reportedly inconsistent, and the clubhouse is not open for golfers with the early morning tee times.
- The small restrooms are located on the second floor, a source of frustration among many golfers that responded to the NGF survey
- The building is of inadequate size and configuration to serve larger gatherings, such as shotgun tournaments or the Men's Thursday afternoon league (72 to 80 players).
- The building offers an uninviting, 'clinical' atmosphere, with cafeteria style seating, substandard air conditioning, no bar and little appeal that would induce people to want to stay for an extended period and spend money. As a result, there is very little non-golf related business.
- The space is showing signs of age, both internally and externally. Of specific concern are the restrooms, exterior appearance and condition of the roof.

A more modern facility with better presentation and higher capacity could accommodate larger golf group outings, entice golfers to spend more time and money there, and likely generate more non-golf business, especially from the most proximate residential areas. As we will explore in more detail later in this report, NGF believes that - other than through organic growth or fee increases in existing revenue centers - improving or replacing these facilities almost certainly provides the best opportunity for significantly enhancing revenues.



The Bill Roberts GC clubhouse.

## Cart Barn and Maintenance Building

The cart barn and maintenance buildings are in generally good structural condition, though they could use some cosmetic upgrades and painting (part of Phase II Landscaping project – more below). The maintenance building is clean, well-organized and in good shape; there are no immediate significant capital needs, other than equipment.

The cart barn is space constrained (especially during winter when BRGC carts are stored) due to the private cart program. In total, there are 70 private carts and 55 facility-owned carts at BRGC. The cart barn is a revenue generator for BRGC, as private owners pay rent plus a trail fee. Additionally, the BRGC mechanic does repairs, including a winterizing program (\$100).

## RECENT FACILITY IMPROVEMENTS

In addition to though \$138,000 funded out of the operating budget (Intercap loan) in FY 13 for golf carts, capital spending in the FY 11 through FY 15 period totaled \$584,000. Smaller expenditures were focused on entry and landscaping improvements, as well as building repairs, while major expenditure occurred in FY 14 and FY 15:

- FY 14: \$412,000 – Irrigation (above ground) and landscaping (entrance and building surrounds)
- FY 15: \$124,000 – Golf simulator (\$54K); maintenance equipment; entrance sign & paving; pro shop building improvements (entrance door, exterior painting); irrigation
- FY 16: \$98,000 – Maintenance equipment (\$63K - two greensmowers); pro shop landscaping; pro shop lockers
- FY 17: about \$250,000 is budgeted (more below).

## ADA

A recent consultant's report done for the City revealed an estimated \$165,000 in needed remedies for ADA non-compliance issues at BRGC. The City's *ADA Transition Plan* reveals that this total includes about \$130,000 total for the pro shop and clubhouse buildings. The cost of these required improvements will be a key component of NGF's feasibility analysis regarding the improvement or replacement of the pro shop and clubhouse buildings.

## PLANNED IMPROVEMENTS

Within the CCIP, the City and golf course staff have identified ~\$2.9 million in capital spending over the FY 2017 – FY 2026 period, including \$1.9 million for the below ground irrigation in FY 26. Proposed capital spending over the FY 17 through FY 22 horizon totals about \$1.15 million. Major projects include:

- **FY 17:** \$250,000 – comprises \$230,000 in equipment (including two fairway mowers and a rough mower), two utility carts, and bunker rakes.
- **FY 19:** \$292,000 total includes \$126K for the Landscaping Phase II project - entrance beautification and parking lot improvements, as well as aesthetic repairs to cart barn & maintenance building, and opening up of the area around the pro shop and clubhouse. Also \$89,000 for fairway and greens equipment. (Phase II spending may be deferred, or incorporated within another larger project, depending on the recommendations from this NGF study and the plan for addressing ADA issues).

- **FY 21:** \$46,000 total includes ~\$40K for vehicles and maintenance equipment.
- **FY 22:** \$344,000 total includes \$181,000 for new golf carts and \$136,000 for utility vehicles and maintenance equipment.

## **SUMMARY OBSERVATIONS – GOLF COURSE AND AMENITIES**

Bill Roberts GC represents a challenging, yet enjoyable golf course that is aesthetically appealing, well-conditioned, and playable for golfers of all skill levels. The golf course is very popular with golfers in this market, as evidenced by rounds played that are among the highest that NGF has observed in the Mountain states. The facility enjoys a convenient location, beneficial surrounding land uses, affordable fees and good conditioning. BRGC is home to a large group of regular play customers, many of which belong to one of several leagues. The course is also popular with local scholastic teams, helping to maximize the “public purpose” use of this City facility.

The BRGC Enterprise Fund continues to be self-sustaining despite significant and ongoing capital needs. As we will see later in the report, the facility benefits from strong on-site management, highly engaged oversight from City staff and the Golf Advisory Board, and very efficient maintenance. Though we will present some deficiencies that should be addressed to enhance the overall golf experience (e.g., cart paths, bunkers, on-course services, pace of play), and make some recommendations relating to best business practices, the main negative we see at BRGC from a business perspective is that the current pro shop and clubhouse facilities act to significantly constrain revenues.

The recommendations NGF sets forth later in this report are in consideration of the need to enhance the revenue generating capabilities of Bill Roberts, and in full realization of ongoing operational expenses, needed ADA-related remedies, and the significant capital program planned for the next ten years.

# External Factors Affecting the Operation of Public Golf Facilities

To assess the activity levels and potential market opportunities for Bill Roberts Golf Course, the environment in which the facility operates must be understood. Therefore, it is helpful to examine local economic and demographic factors that have the potential to impact rounds played and fee tolerances. This overview will include an analysis of the area's demographics, as well as a brief discussion of local economic factors that can impact demand for golf. In the second part of this section we provide an overview of key golf market demand and supply indicators, as well as BRGC's two key competitors.

## BASIC DEMOGRAPHICS AND THE LOCAL ECONOMY

NGF Consulting summarizes the population, median age, and median household income trends for the 10-, 20- and 50-mile markets around BRGC, as well as Lewis and Clark County, the state of Montana, and the United States.

### Demographic Analysis

The table in **Appendix A** summarizes key demographic measures and trends that relate to golf participation. NGF key observations include:

- The population of the Helena area is indicative of a relatively small Mountain town, with about 57,000 people living within 10 miles of the club, and 65,000 within 20 miles. The area is expected to add about 2,500 net new residents by 2020.
- At 40 to 41 years, the Median Ages in the local markets are moderately higher than the national median of 37.8 years. In general, the propensity to play golf with greater frequency increases with age, making older markets more attractive to golf facility operators, all factors being equal.
- At just over \$60,000, the Median Household Incomes in the local market area is about 14% higher than the national median, and 28% higher than the state median. In general, higher income residents are more likely to participate in golf, and they play more frequently than lower income residents.

### Key Economic Factors

Following are some key observations about climatic and economic characteristics of the Helena and southwestern Montana that have the potential to affect demand for golf.

#### Climate

As with any outdoor recreation, golf participation is impacted by weather. NGF data estimates that almost all golf is played with temperatures between 50 and 90 degrees Fahrenheit. Understanding local weather patterns helps determine the number of golf playable days. The data suggests that golf in southwestern Montana can be played for 9 to 10 months in an abnormally warm year, but that the area is essentially a  $\pm 8$ -month golf market. With an average

of only  $\pm 11$  inches of precipitation a year, this golf market does not lose many playable hours/days, though the rainiest months do occur during the peak demand months of May through August. The following table presents a summary of monthly weather data for the area based on 50-year recorded trends:

Climatological Data						
Month	Temperatures			Precipitation Inches	Number of Rainy Days	Average Length of Day (Hours)
	Average	High	Low			
<b>Annual</b>	<b>45.4</b>	<b>58</b>	<b>33</b>	<b>11.2</b>	<b>72</b>	<b>12.8</b>
January	23	33	13	0.4	6	9.7
February	28	39	17	0.3	4	10.9
March	36	48	24	0.6	5	12.5
April	45	58	32	1	6	14.2
May	54	67	41	1.9	8	15.7
June	62	76	49	2.1	10	16.4
July	70	86	54	1.2	7	16
August	68	85	52	1.2	6	14.6
September	58	73	43	1.1	6	13
October	46	59	33	0.7	4	11.4
November	33	43	22	0.5	5	9.9
December	22	32	12	0.4	5	9.2

Source: Weatherbase.com, Helena, MT

## Helena / Southwestern Montana Economy

Source: Various local, including COC

The State Capitol Helena, founded in an area rich in silver and lead deposits, has a long record of economic stability thanks to its status as a major hub of activity at the county, state, and federal level. Thirty-one percent of the city's workforce is made up of government positions with private sector jobs accounting for 62%. Education is a major employer, with two high schools and accompanying elementary and middle schools for K-12 students as well as Helena College. Major private employers within the city include Carroll College and area medical facilities.

Helena's economy is also bolstered by Fort William Henry Harrison, the training facility for the Montana National Guard, located just outside the city. Fort Harrison is also home to Fort Harrison VA Medical Center, where many Helena-area residents work. Within Lewis and Clark County, there also remains one mineral processing plant and several light manufacturing facilities, including a division of Boeing.

- The unemployment rate in the City of Helena (population ~30,000) has hovered around  $\pm 3\%$  recently, compared to the  $\pm 4\%$  for the State of Montana, and about 5% for the total U.S.
- Carroll College was ranked by U.S. News and World Report as the #1 Regional College in the West in America's Best Colleges 2016 Edition, #1 School for

Veterans, and #1 Best Value School. The 63-acre campus has a total undergraduate enrollment of about 1,500.

- There were nearly 12 million non-resident visitors to the State of Montana in 2015, and spending by non-resident travelers in Lewis and Clark County is about \$100 million annually, according to the University of Montana's Institute for Tourism & Recreation Research. The average group size for the state was over two, and these visitors stayed in the state for an average of 4.6 nights. These visitors spent an estimated \$3.66 billion in the state, and had a total economic impact of \$5.15 billion. The Helena area is a popular spot for hunting, fishing and other outdoor activities. It is also just 180 miles or so from the West Yellowstone entrance to Yellowstone National Park (4 million annual visitors), and about 225 miles south of Glacier National Park (2.4 million).

## GOLF MARKET SUPPLY AND DEMAND INDICATORS

Below are some observations regarding national and local trends in golf demand and supply.

### National Golf Industry Overview

While socio-demographic, financial and cultural headwinds certainly persist for golf, the industry continued its macro trend toward stabilization in 2014-2015. Golf's pay-for-play green fee revenues and other spending on the sport will always be vulnerable to outside forces such as weather and the economy, but the overall participation rate remains at  $\pm 9\%$ . The game remains popular and is fortunate to have a deep well of interested prospects.

Still, some socioeconomic and demographic trends continue to present challenges for golf operators. For instance, golf is having trouble attracting and retaining young adults (i.e., Millennials – see separate attachment); though this segment continues to account for a large percentage of annual play and spending, factors such as debt and competing recreational activities have suppressed golf demand from this segment. The smartest, best-managed and most innovative golf facilities will win market share and have the best opportunity for growth.

### Key Trends

- **Participation** - The national golfer number (participation) appears to be continuing a stabilization trend, though there has been continued net attrition, primarily among occasional/less committed golfers. Overall, NGF survey research indicates that in 2015 there were 24.1 million people in the U.S. that played at least one round of golf in the prior year, about  $\pm 1$  million fewer than in 2012. However, the vast majority of "core" golfers remain in the game.
- **Rounds Played / Looking Ahead** – Despite poor weather that suppressed first-quarter play in 2015, rounds played nationally finished the year 1.8% ahead of 2014, according to Golf Datatech. The overall Mountain Region was down 1.9%, while the Idaho, Montana, Wyoming sub-region was up 0.3%. The next couple of years should provide a stronger indication of whether playable day- adjusted rounds have stabilized. Golf Datatech reports rounds played YTD nationally through July 2016 were up 2.0%, and 1.2% for the Mountain Region. *However, YTD rounds for the Idaho/ Montana/Wyoming sub-region were down by 7.8%.*
- **Golf Course Supply** - The correction in golf course supply continued in 2015 at a level comparable with the previous three years. According to NGF data, since the

market correction in golf course supply began in 2006, there has been a cumulative net reduction of 679.5 golf courses (18HEQ), which represents a drop of about 5% off the peak supply year of 2005. For perspective, golf supply grew by 40% in the previous 20 years (1985-2005). We note that not all golf courses are closing due to competitive dynamics; rather, some golf courses – especially in geographies where developable land is at a premium – are closing because residential or commercial is a much “higher and better use”. Whatever the reasons, this much-needed move toward supply/demand equilibrium is expected to continue for the next several years.

- **Baby Boomer Effect** – As Baby Boomers age and retire over the next 15 years, we expect to see a measurable increase in total rounds played in the U.S. Boomers - born between 1946 and 1964 - are currently 51 to 69 years old. About 6 million of them are golfers; that's about 1/4 of all golfers, and they currently play about 1/3 of all rounds. Boomers started turning 65 in 2011, and already about 1 million golfing Boomers have reached retirement age (though not all have retired). Both the Social Security Administration and Pew Research Center report that 10,000 or more Boomers retire every day. And 300,000 Boomer golfers will turn 65 each year for the next 15 years. Retired Boomers (age 65+) play about twice as much as younger, non-retired Boomers (40 rounds vs 21 rounds).

### Other Measures of Health

Other perhaps equally important metrics to consider when measuring the health of, and prospects for, golf include: Engagement, Beginners, and Latent Demand.

**Engagement:** Several years ago NGF developed a scale to gauge participant engagement/passion for golf. NGF annual golfer survey research indicates that the number of engaged golfers has remained steady at 20 to 21 million for the past four years. But the proportion of engaged golfers has increased from 78% to 83% over this period. These engaged golfers are responsible for over 94% of rounds played, and 97% of equipment spend. Those who are more engaged are significantly more likely to continue playing.

**Beginners:** The number of beginners – about 2 million in 2015 - looks to be on the upswing again, more evidence of the participation bubble that began to build in 1997.

**Latent Demand:** It is also encouraging to know that overall interest in playing golf remains very high. NGF survey research indicates there is more than one prospect golfer for every existing golfer, or about 25 million strong.

### Summary

Positive economic indicators, an increase in weather-adjusted rounds played, and the return of private equity funding to the industry are just a few of the under-reported developments in golf that tell the current story of the industry. The continued supply correction, though painful for some operators, will result in more favorable competitive situations in some markets. Finally, participation has historically tracked closely with Real Adjusted Household Income, suggesting that if income increases, there's a likelihood that the golfer trajectory would increase with it. (According to the Commerce Department, U.S. consumers increased their spending in April 2016 at the fastest pace in nearly seven years. Personal income was up 0.4% that month, and consumers spent it, as the percentage of disposable income saved dropped to 5.4% from 5.9% in March). The Bureau of Labor Services projects spending will grow by 2.6 percent per year through 2022.

## NGF Municipal Golf Survey Results

NGF periodically conducts national surveys of municipal golf operators (18 holes or greater facilities). Our last survey in late 2013 showed some key results that are indicative of the struggle that an increasing percentage of municipalities are having in terms of generating operating revenue sufficient to cover all expenses. Key findings included:

- 53% of responding municipalities accounted for their golf assets as an Enterprise Fund (30% General Fund, 17% Special Revenue Fund or 'Other')
- 60% self-operated their facilities (13% mgmt. contract; 8% lease)
- 1 out of 3 of Enterprise Funds had a negative cumulative fund balance
- 1 out of 3 facilities had debt (average = \$3.7 MM)
- Of those with debt, less than half were covering all costs
- Among those with no debt, about 1 in 3 was losing money (before depreciation)
- 70% of all reporting facilities had to defer capital improvements due to financial considerations
- 50% had reduced full-time staffing in the prior several years (half of these solely through attrition)
- The median annual transfer from the Golf Enterprise Fund to the municipality General Fund (includes items such as allocated overhead, indirect charges, other charges for services provided) was \$119,000.

## Local Golf Demand

The following are some summary NGF observations regarding key golf demand measures for the local golf market. Please see the supporting tables in **Appendix A**.

- There are an estimated 8,000 golfers living within 10 miles of Bill Roberts, with the potential to demand as many as 102,800 rounds of golf each year. NGF estimates that about 104,000 rounds are played each year (varies based on weather) at the golf courses in this 10-mile market, an average of 26,000+ per 18 holes of golf.
- NGF's Golf Demand model indicates that golf participation rates in the local market are about 8% higher than the national household participation rate of 13.9%. Rounds demand per household is also estimated to be about 8% higher than the national benchmark.
- Population growth is expected to increase the number of golfing households within 20 miles of Bill Roberts by a modest 115 over the next five years.

## Visitor Golf Demand

Visitors to Helena, MT and Lewis and Clark County are a source of supplemental demand at area golf courses, particularly during the spring and summer period. NGF research shows that roughly one-third of all golfers participate in the activity while traveling, playing about a round of golf for every two days of travel. Though BRGC has some capacity issues due to its robust season pass program, capturing occasional visitor rounds – especially small groups – is necessary to maximizing play at the facility. These visiting golfers, especially those staying in nearby hotels, should be targeted by Bill Roberts' management for stay-and-play packages, etc.

## Latent Demand

People who express an interest in playing golf but have not yet started include former golfers and those who have never tried. The demographic profile of latent demand tends to be more female and younger than the population as a whole. Surveys show these golf-interested non-golfers cite several barriers to entry in golf, including the cost and social aspects (no one to play with). The latent demand population is comparable to the golfer population, and NGF estimates as many as  $\pm 7,000$  interested non-golfers in the 10-mile market for BRGC. Given golf's tenuous participation situation, all golf courses should have active programming aimed at inviting and "onboarding" prospective new golfers.

## Local Golf Supply

The following are some summary NGF observations regarding key golf supply measures for the local golf market. Please see the supporting tables in **Appendix A**.

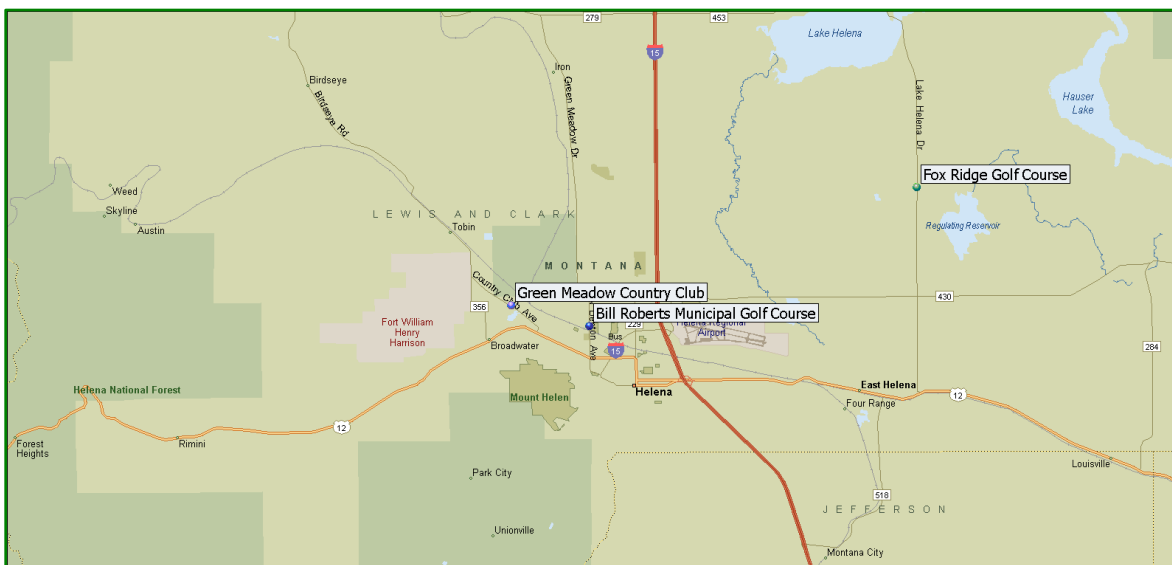
- Including the subject, there are only three total golf facilities (two public access), totaling 72 holes, within 20 miles of Bill Roberts GC. Ratio analysis based on national benchmarks shows that this market has about 15% fewer golfing households available to support each 18 holes of golf than the nation overall.
- The NGF database shows no new golf courses either in planning or under construction in the Bill Roberts GC market area.

## LOCAL COMPETITIVE GOLF MARKET

NGF Consulting has analyzed the public access golf market in Helena, with emphasis on determining each facility's current market position. Below NGF lists summary operating information for Bill Roberts GC and its two primary competitors. At the end of this section, we provide our significant findings regarding the competitive market.

### Competitive Public Access Golf Facilities Map

The map below shows the relative locations of Bill Roberts GC, Fox Ridge GC, and Green Meadow Country Club.



## Summary Information

The following tables provide summary information for Bill Roberts and its two primary competitors – the daily fee Fox Ridge, and private (limited public access) Green Meadow Country Club, both located within Helena.

Bill Roberts Golf Course and Key Competitors – Summary Information						
Golf Facility	Location	Type	Year Open	Par / Slope	Front Tee/ Back Tee	Location Relative to BRGC
Bill Roberts Municipal GC	Helena	MU-18H	1925	72 / 123	4,700 / 6,782	-
Fox Ridge Golf Course	Helena	DF-36H*	1992	72 / 133	4,737 / 6,619	7.5 miles
Green Meadow Country Club	Helena	PR-18H	1946	71 / 126	5,371 / 6,347	2 miles
*Includes 18-hole Par 3 course. Type: DF – Daily Fee; MU – Municipal; PR - Private						

Summary Operating Data – Bill Roberts Municipal Golf Course and Primary Competitors							
Golf Facility	Estimated Rounds	18-H Prime Time Green Fee w/cart	18-H Aft./Twi. Green Fee w/cart	9-H Green Fee w/cart	18-H Senior Green Fee w/cart	Annual Membership Single/Couple	Annual Outing Rounds
Bill Roberts GC	44,200	\$50	\$20.50	\$28	\$48	\$700 / \$1,090	2,500
Fox Ridge GC	N/A	\$50	N/A	\$28	N/A	\$850 / \$1,350	N/A
Green Meadow CC	21,000*	\$75	N/A	N/A	N/A	\$4,020 Family	750*
KEY *NGF Consulting estimate N/A – Information not available							

## Key Findings – Competitive Golf Market

NGF Consulting research indicates the following general findings regarding the competitive environment that BRGC operates in:

- BRGC is the clear choice for Helena public golfers, as NGF estimates that its rounds activity is more than twice that of Fox Ridge. Fox Ridge offers similar or identical daily green fee and 10-card punch prices to BRGC, but is \$150 and \$260 higher, respectively, for Single and Couple season passes.
- Green Meadow CC offers an excellent and scenic golf course, large modern clubhouse, fine dining, banquet room, smaller meeting room, swimming pool and fitness center, and is popular with both business professionals and young families. The club General Manager, formerly a long-time assistant at BRGC, reports about 384 Full Golf members.
- Green Meadow's membership rolls received a boost resulting from a recent promotion that offered highly discounted first year and second year dues (\$1,680 first year, \$3,000 second year) for new members under age 35; the promotion added 64 members. Current dues (now range inclusive) are \$335 for Family, plus \$50 per month minimum F&B spending. Singles can link up with other singles, and each would pay 2/3 normal dues.
- Though both Green Meadow and Bill Roberts serve the Helena market with unlimited play memberships, they serve very different niches/markets at vastly different costs. As such, NGF does not consider Green Meadow CC to be a direct competitive threat to BRGC in terms of its *core constituent*, although the private club obviously does offer much for young professionals and active families that the municipal course cannot. Of course, if Green Meadow one day aggressively (and permanently lowered annual dues), the competitive dynamic in town could change.
- Green Meadow, which has reciprocal relationships with Meadow Lake Resort in Columbia Falls, Butte Country Club, Riverside Country Club (Bozeman), and Missoula Country Club, also allows some public access:
  - Out-of-county (outside Lewis and Clark; Jefferson; Powell Counties) residents can make unlimited tee times
  - Local residents can play as an accompanied guest a maximum of 4 times per year (including events)
  - There are no formal restrictions on the number of outside tourneys, but members currently allow only 4 large tourneys per year
- In addition to Fox Ridge and Green Meadow, about one out of four BRGC golfers that responded to the golfer survey reported playing occasional rounds at The Old Works Golf Course in Anaconda, and Canyon River Golf Club in East Missoula. Several other facilities were mentioned by a much lower percentage of respondents.

## EXTERNAL FACTORS SUMMARY

The local demographic and economic factors affecting the demand for public-access golf in this market tend to be mixed. On the positive side, the local market has demographic characteristics that correlate to relatively strong golf demand, and Bill Roberts has only a couple of direct competitors. Additionally, Helena and southwestern Montana have generally strong economies and robust visitation from other areas of the U.S. and Canada. On the negative side, the per capita supply of golf courses is relatively high in the local market due to the small population base, though this is mitigated by the fact that 25% of the local supply is accounted for by a par 3 golf course.

From a macro level, while overall golf participation in the U.S. appears to be stabilizing, there is little doubt that socioeconomic and demographic trends are creating headwinds for golf operators. For instance, golf is having particular trouble engaging young adults. Also, the effects of the Great Recession appear to be lingering, and discretionary time and money continue to be suppressed. Moreover, despite the fact that spending is at or near its highest point in years, people are still saving more and spending less than they were prior to the recession.

Finally, all golf facilities face factors beyond their control that can affect demand: First, a high fixed expense structure and operating expenses that tend to rise more rapidly than revenues (e.g., ability to raise fees is constrained); this dynamic appears to be particularly acute in the public sector. Second, golf will always be at the mercy of the weather. In a Mountain State climate, yearly weather variations can significantly lengthen or shorten the golf season, perhaps making the difference between operating profits and losses for some golf courses.

# Bill Roberts GC Operations Review

The operations review component of this study provides a strategic look at the City's municipal golf offering, with a specific focus on application of "industry best practices" and identifying potential ways to enhance revenues and improve the overall golf experience at Bill Roberts. It is clear to NGF, and to the City and GAB, that BRGC is a well-managed and popular golf facility; therefore, the intent of the operations review is to focus on the few areas where there is room for improvement or a change in policy (e.g., fee levels, F&B services, marketing), and make recommendations that will complement any efforts to improve the facility amenities for 12-month revenue generation.

The City's ultimate goal in undertaking this engagement is to help ensure that the Golf Enterprise Fund is able to meet operational expenses, fund capital needs, and pay debt service, for both the short- and long term, thus allowing the City to continue to provide a high quality community amenity for many years to come.

## ORGANIZATIONAL STRUCTURE / CITY SUPPORT

Bill Roberts Golf Course is operated directly by City of Helena under the full administrative authority of the City Manager, who has delegated operational authority for BRGC to the Parks & Recreation Director. The Golf Course Manager and Superintendent each report directly to the Director of Parks & Recreation.

The P&R Director is required to develop operational and financial plans, including rate recommendations that will achieve the City's Financial Goals for Operations. After City Manager review and submission, the City Commission reviews the Preliminary Budget, determines amendments they may want made, and adopts the Final Budget as amended. Rate recommendations are separately reviewed and acted upon.

Aside from overall oversight as noted above, City support for the BRGC operation includes human resources, budgeting / central accounting, legal, and provision of insurance, as summarized below under 'Internal Charges'. IT is not included, and costs the golf course about \$22,500 annually. There is little direct marketing support, other than providing a link to the golf course website under "Recreation Links" on City website. Financially, the City provides loans to cover capital spending at the golf course; these comprise 'InterCap' loans and debt financing. In November 2011, the City forgave \$200K remaining on a loan, but made a policy that precludes future write offs.

## Capital Funding (CCIP)

The City's CCIP for Bill Roberts Golf Course includes capital project and equipment purchases that are funded either through Debt ('InterCap' loans or Bonds) or 'Pay as you Go'. The latter category is funded through existing year-end capital reserves, which may include some leftover funds from previous loans.

A realistically funded CCIP may provide adequate long-term cash reserves that can offset the need for additional annual cash flow needs or seasonal fluctuations. CCIP funding may be provided by a combination of pay-as-you-go cash reserves and planning for future debt issuances. Funding needs and options for the Budget, Reserves, and CCIPs shall be reviewed annually, and related rate recommendations shall be developed as appropriate.

## Internal Charges

As is the case with the majority of municipal golf enterprise funds, the City of Helena has a program for assessing the golf course for certain services provided by other City departments. The City allocates 'Internal Charges' to the BRGC 'Golf Fund' according to the table below, which shows the itemized charges for FY 16, totaling just over \$112,000.

The City of Helena has processes that are applied the same to each fund (e.g., HR, Finance, City Manager, etc. is charged to each fund based on the number of FTEs in the fund). Because allocated overhead costs/internal charges are often applied in this fashion (based on formula such as FTEs), it becomes difficult and impractical to benchmark these charges across cities and golf funds, due to the high number of variables such as city size, number of enterprise/special revenue funds within each city, number of FTEs, etc. Another consideration in the case of Helena is that allocations have the potential to affect federal grants if they are not applied in an equitable way (i.e., based on formula). Still, regardless of how they are calculated, Internal Charges represent a significant operating expense at BRGC, accounting for 13% to 15% of total operating expenses (excluding Cost of Sales) over the last five years.

Allocated charges are often a point of contention for those municipal staff charged with ensuring that golf operations remain economically viable. A common contention is that the amount charged may not fully represent "market rate" for the services rendered. It is difficult for NGF to appropriately estimate the "true value" of these services during our consulting engagements, but we find that the amounts are typically higher than what a privately-owned golf course would pay for comparable services such as financial, accounting, legal, custodial, IT, administration, etc. NGF will comment more on internal charges in the Recommendations section of the report.

<b>Bill Roberts Golf Course Enterprise Fund Internal Charges – FY 2017 Budget</b>	
	<b>Total</b>
Comm., Mgr., Atty. Charges	\$18,743
Parks & Recreation	\$50,322
Property Insurance	\$1,121
Vehicle & Equip. Insurance	\$880
Liability Insurance	\$13,712
Fidelity Insurance	\$238
Human Resource Charges	\$7,855
Budget & Accounting	\$19,293
<b>Total Internal Charges</b>	<b>\$112,164</b>
Source: City of Helena	

## Golf Advisory Board

Bill Roberts GC benefits from a proactive and engaged Golf Advisory Board ('GAB'), a seven-member volunteer citizen board that comprises a cross section of customers (e.g., Men's League, Ladies League, punch card holder) of the golf course. The GAB, as with other City Advisory Committees, is appointed by the Mayor with the concurrence of the City Commission. The intent is to provide the City Commission, City Manager, and Administrative Staff with a broad-based perspective in order to enhance the effectiveness of golf course operations. Advisory Committees typically are asked for their policy level input on such plans as drafted/

proposed by Staff, but have no decision making authority. City staff and the GAB meet monthly to discuss management and future direction of the BRGC.

## Business Management Plan

As noted earlier, BRGC benefits from highly engaged and proactive City oversight. For example, in the fall of 2008, City staff and GAB members agreed to jointly develop a business management plan for the BRGC to provide guidance in decision-making and management activities. The business plan serves as a ten-year "road map" guiding overall maintenance, operations, and fiscal management of the course.

Development of the business plan began in January 2009. As a starting point, City staff and the GAB identified the following desired outcomes for the business planning effort:

- Identify and generate additional financial resources to limit fee increases and keep BRGC self-sufficient and cost-neutral to the City
- Develop a financial strategy to establish and maintain a cash/capital reserve program
- Develop and utilize a marketing plan including a mission statement
- Develop management actions for meeting goals and objectives

## ACTIVITY AND FINANCIAL PERFORMANCE

The City provided NGF with financial data on the golf operation dating back to FY 2011. Key NGF observations follow a brief discussion on rounds capacity.

### Capacity

A golf course's *theoretical capacity* can be determined mathematically by multiplying the number of available tee times (utilizing only the first tee as the starting hole) by the maximum number of players in a group, usually a foursome. A more realistic measure, a golf course's *actual capacity* takes into account the loss of tee times for weather, unplayable conditions, cancellations, no-shows, groups of less than four players, and other reasons a golf course would never actually play the *theoretical capacity* such as a desire to maintain course conditions and market realities. In estimating capacity, NGF Consulting has defined a "round" as one person teeing off in an authorized start, so 9-hole and 18-hole rounds are counted equally.

Based on Bill Roberts GC's course's type and size, fee structure, market size, weather conditions, climate zone, and other factors (e.g., tee time blocks set aside for leagues, number of passholders, etc.), NGF estimates an *actual capacity* for the 18-hole facility of about 50,000 to 54,000 (long season and strong demand) rounds per year.

### Rounds Played & Revenues per Round

Overall, BRGC has seen an increase in rounds played to an average of ~44,500 in FY 15 and FY 16, after hovering at ~41,000 in the FY 11 through FY 14 period. At the current level of rounds, BRGC falls in the top 2% to 3% of Mountain Region municipal golf courses. BRGC's high water mark for the last decade was in 2007, when nearly 49,000 rounds were played (calendar year). As noted previously, with rounds and revenues on the upswing, BRGC has bucked the overall trend in the municipal golf industry.

The table below shows several measures of revenue per round, based on FY 2015 (only year for which rounds breakdown was available at this level of detail). As we can see, at \$11.28 the average green fee revenue per round is considerably lower for season pass play than both

punch card (\$14.87) and daily fee rounds (\$21.92). Due to the preponderance of season pass play (about 58% of total rounds including an assumed 50% of league play), the overall daily fee + punch card + season pass revenue per round is \$14.30, or lower than the average punch card revenue per round.

Bill Roberts GC Average Green Fee Revenue per Round – FY 2015			
	Rounds	Revenue	Per Rd.
Total Green/Punch/Pass	45,073	\$644,706	\$14.30
Total Green/Punch/Pass/Cart	45,073	\$803,449	\$17.83
Daily Fee	10,840	\$237,628	\$21.92
Punch Card	7,804	\$116,053	\$14.87
Season Pass	25,804	\$291,025	\$11.28
Source: City of Helena and NGF. Notes: FY 2016 numbers are unaudited; Pass revenue is for calendar year, while rounds are fiscal year; tourney rounds are included in DF category; League rounds split 50%-50% between Pass and Punch categories.			

As the following table illustrates, total revenue per round has risen only modestly over the FY 11 through FY 16 period. Total revenue per round was in a very tight range of \$30.22 to \$30.86 between FY 12 and FY 15, but rose overall by about 7.8% between FY 11 and FY 16. ***Total daily fee + punch card + season pass revenue per round has been declining consistently, from \$15.24 in FY 12 to \$14.12 in FY 16.*** This trend is due to a number of factors, most notably the changing mix of play, the changing profile of the season passholders (i.e., trend toward more seniors and juniors), and the freeze on fees over the last few years.

Most other revenue centers have remained largely flat on a per round basis, with some yearly fluctuations. Exceptions include the Merchandise category, which has grown by 44% on a per round basis since FY 11. Food & beverage revenue per round was \$17 higher in FY 16 than FY 11, but has been generally flat since FY 12. Lesson revenue has generally increased over the six-year period, before falling in FY 16, largely due to the loss of two long-time assistants. As we will explore later in the report, simulator revenue has also been on the upswing.

Bill Roberts GC Average Revenue per Round (Other Categories) – FY 2011 – FY 2016						
	2011	2012	2013	2014	2015	2016
<b>Total Operating Revenue*</b>	<b>\$28.94</b>	<b>\$30.22</b>	<b>\$30.59</b>	<b>\$30.86</b>	<b>\$30.78</b>	<b>\$31.20</b>
Total Green/Punch/Pass Rev.	\$14.95	\$15.24	\$14.93	\$14.90	\$14.30	\$14.12
Daily Cart Revenue	\$2.28	\$2.19	\$2.24	\$2.16	\$2.03	\$2.35
Annual Cart Revenue (per Pass)	\$624	\$623	\$623	\$636	\$623	\$589
Total Cart Revenue	\$3.61	\$3.61	\$3.73	\$3.68	\$3.52	\$3.95
Practice Range Revenue	\$1.68	\$1.88	\$2.01	\$1.98	\$2.04	\$1.98
Merchandise Revenue	\$3.42	\$3.71	\$3.86	\$4.30	\$4.50	\$4.91
Food & Beverage Revenue	\$3.48	\$3.97	\$4.10	\$3.87	\$4.20	\$4.06
Lesson Revenue	\$0.40	\$0.48	\$0.59	\$0.52	\$0.64	\$0.55
Simulator Revenue	\$0.12	\$0.16	\$0.12	\$0.17	\$0.28	\$0.43
Other Revenue	\$1.28	\$1.17	\$1.25	\$1.44	\$1.30	\$1.20
Source: City of Helena and NGF. *Excludes transfers, loans, investment income, etc.						
Notes: FY 2016 numbers are unaudited. 'Other' Revenue includes items such as bag storage, rentals, advertising, and cart repair.						

## Season Pass Program

In this section, we take a closer look at trends with respect to the Season Pass Program at BRGC, with a specific focus on key metrics related to revenue per pass and per season pass round, as well as the changing profile of season passholders. *We note that these revenues include only the pass purchases themselves, and do not reflect the other revenue that passholders generate, including annual cart revenue, as well as spending on merchandise, lessons, and food & beverage.*

The following table (FY 16 numbers are unaudited) shows that the number of passes sold and the associated revenues have roughly followed a bell curve pattern between FY 11 and FY 16. Of particular concern is the decline in FY 16 revenues and revenue per pass, though we note that revenues are by fiscal year, while season passes are for calendar year.

<b>Bill Roberts Golf Course</b> <b>Pass Holder Counts &amp; Revenue by Type – FY 2011- FY 2016</b>						
	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
Total Unrestricted	392	413	422	406	413	406
Total Restricted	64	62	58	65	54	58
TOTAL PASSES	456	475	480	471	467	464
Total Unrestricted Rev.	\$250,649	\$264,097	\$265,351	\$262,129	\$262,070	\$241,655
Total Restricted Rev.	\$ 33,667	\$ 31,615	\$ 33,616	\$ 37,253	\$ 28,955	\$ 31,420
TOTAL REV.	\$284,316	\$295,712	\$298,967	\$299,382	\$291,025	\$273,075
Unrestr. Rev. per Pass	\$ 639.41	\$ 639.46	\$ 628.79	\$ 645.64	\$ 634.55	\$ 595.21
Restricted Rev per Pass	\$ 526.05	\$ 509.92	\$ 579.59	\$ 573.12	\$ 536.20	\$ 541.72
TOTAL Rev per Pass	\$ 623.50	\$ 622.55	\$ 622.85	\$ 635.63	\$ 623.18	\$ 588.52

This next table shows the effect on the average actual revenue per pass (Adult Single and Single Senior only) of yearly fee increases, as well as the effect when fees have been held steady. As we can see, the moderate fee increases between FY 10 (not shown) and FY 14 drove the *actual revenue per pass* higher by roughly \$16 to \$20 per pass each year of the fee increases, but only for the single and senior adult categories. As we saw above, the overall revenue per pass has been stagnant, with a bump in FY 14 and a decline in FY 16 the exceptions.

<b>Bill Roberts Golf Course</b> <b>Revenue per Pass (Adult and Senior Single) – FY 2011- FY 2016</b>						
	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
Adult Single Fee	\$640.00	\$660.00	\$680.00	\$700.00	\$700.00	\$700.00
Senior Single Fee	\$585.00	\$600.00	\$620.00	\$640.00	\$640.00	\$640.00
Actual Rev. per Pass	\$628.19	\$644.48	\$664.03	\$680.96	\$679.49	\$676.67
Ave. Increase (Y-O-Y)	\$ 18.15	\$ 16.29	\$ 19.55	\$ 16.93	\$ (1.47)	\$ (2.82)

The following table illustrates the primary reason for stagnant revenue per round for season passes (other than price freezes last few years): the changing profile of the membership. Two key trends stand out:

- The percentage of single adult unrestricted passes – as a percentage of total adult single + senior single - has declined from 78.5% in FY 11 to 61.1% in FY 16. (In FY 06, it was 87% adult single).
- Among all other unrestricted pass categories combined, the percentage of junior passes has risen from 12% in FY 11 to 58.1% in FY 16.

**Thus, with pass sales shifting aggressively toward lower fee categories, BRGC is essentially “running to stand still” with respect to season pass revenues, even in years with fee increases.**

<b>Bill Roberts Golf Course Pass Holder Counts – FY 2011- FY 2016</b>						
	<b>FY 2011</b>	<b>FY 2012</b>	<b>FY 2013</b>	<b>FY 2014</b>	<b>FY 2015</b>	<b>FY 2016</b>
<b>Total Adult + Senior Unrestricted</b>	<b>284</b>	<b>286</b>	<b>293</b>	<b>271</b>	<b>272</b>	<b>270</b>
% Adult	78.5%	74.1%	73.4%	68.3%	65.8%	61.1%
% Senior	21.5%	25.9%	26.6%	31.7%	34.2%	38.9%
<b>Total Other Unrestr. Categories</b>	<b>108</b>	<b>127</b>	<b>129</b>	<b>135</b>	<b>141</b>	<b>136</b>
% Junior	12.0%	29.9%	45.0%	36.3%	43.3%	58.1%
% Other	88.0%	70.1%	55.0%	63.7%	56.7%	41.9%

Finally, as is typically the case with any golf course, the members/passholders are the heaviest users of the golf course, lowering the effective rate they pay with each round. At BRGC, adult singles/couples combined played an average of 69 rounds, while paying an effective rate of only \$11 per round, while restricted passholders (about 80% senior) played 45 times on average, and paid an effective rate of \$12. (We note that these rounds totals do not include passholder league play, so the effective rates are even lower when those rounds are taken into account).

<b>Bill Roberts Golf Course Usage and Cost per Pass – FY 2015</b>				
	<b>Rds. Played</b>	<b>Rds. Per Pass</b>	<b>Ave. Cost</b>	<b>Cost per Rd.</b>
Restricted	2,406	44.6	\$535	\$12.00
Adult (Single + Couple)	14,499	69	\$759	\$11.00
Senior (Single + Couple)	5,236	42.6	\$718	\$16.85
Source: BRGC management from POS				
Note: Average cost is blended average based on breakdown of passes sold				

## Overall Facility Revenue & Expense Summary

BRGC has seen increased rounds played, jumping to an average of 45,000 over the last two fiscal years, compared to an average of  $\pm 41,000$  over the FY 11 through FY 14 period. Additionally, operating revenues have steadily increased over that time period, from just under \$1.2 million in FY 11 to \$1.39 million in FY 15 (unaudited figures show a slight decrease to \$1.38 million in FY 16, on about 900 fewer rounds). On the operating expense side, total costs (excluding cost of goods sold) have risen 9.3% since FY 11. The total on-site budget for BRGC, excluding City internal charges and COGS, is about  $\pm \$830,000$ , while the total maintenance budget, minus allocated internal charges of about \$56,000, is  $\pm \$450,000$ . NGF believes that the Superintendent and staff have done an outstanding job of maintaining the golf course, despite a tight budget and other challenges, such as the rocky soil and yearly seasonal staff turnover.

<b>Bill Roberts Golf Course</b> <b>Summary of Financial Performance – 2011-2016</b>						
	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
<b>Rounds</b>	41,447	41,000*	41,717	41,510	45,073	44,200
<b>Revenue</b>						
Membership Fees	\$284,316	\$295,712	\$298,967	\$299,382	\$291,025	\$273,075
Greens Fees	230,886	231,142	222,190	206,244	237,628	231,377
Golf Cart Fees	149,529	147,928	155,425	152,756	158,743	174,568
Pre-Paid rounds	104,259	97,786	101,732	112,804	116,053	119,764
Practice Range	69,751	77,092	83,858	82,327	91,792	87,650
Misc. Golf Income (Other)	74,601	74,272	81,719	88,386	99,904	96,200
Merchandise Sales	141,837	152,266	160,928	178,424	202,794	217,060
Food & Beverage Sales	144,334	162,695	171,130	160,554	189,392	179,303
<b>Total Operating Revenue</b>	<b>\$1,199,513</b>	<b>\$1,238,893</b>	<b>\$1,275,949</b>	<b>\$1,280,877</b>	<b>\$1,387,331</b>	<b>\$1,378,997</b>
<b>Cost Of Sales</b>						
Merchandise	\$122,103	\$112,074	\$110,852	\$121,758	\$155,513	\$159,780
Food & Beverage	64,536	71,940	80,123	73,623	81,525	77,704
<b>Total Cost of Sales</b>	<b>\$186,639</b>	<b>\$184,014</b>	<b>\$190,975</b>	<b>\$195,381</b>	<b>\$237,038</b>	<b>\$237,484</b>
<b>Adjusted Gross Revenue</b>	<b>\$1,012,874</b>	<b>\$1,054,879</b>	<b>\$1,084,974</b>	<b>\$1,085,496</b>	<b>\$1,150,293</b>	<b>\$1,141,514</b>
<b>Expense</b>						
Personal Services	\$509,916	\$533,238	\$476,645	\$523,641	\$565,014	\$581,914
Supplies & Materials	78,319	77,380	81,871	83,081	77,095	96,065
Purchased, Fixed & Intra-City Charges	161,470	173,070	176,779	168,544	183,730	150,592
Internal Charges	121,084	136,069	127,813	136,875	130,716	123,451
<b>Total Operating Expense</b>	<b>\$870,789</b>	<b>\$919,757</b>	<b>\$863,108</b>	<b>\$912,141</b>	<b>\$956,555</b>	<b>\$952,021</b>
<b>Net Operating Income</b>	<b>\$142,085</b>	<b>\$135,122</b>	<b>\$221,866</b>	<b>\$173,355</b>	<b>\$193,738</b>	<b>\$189,492</b>
Source: City of Helena. *NGF and BRGC estimate; incomplete records for this year.						

## STAFFING

All staff at the facilities are employed directly City of Helena, with a full-time Manager / Golf Professional, Assistant Professional, Grounds Superintendent, Assistant Superintendent, Mechanic, and Food & Beverage/Concessions Supervisor, along with other full-time and part-time/ seasonal staff.

- **Golf Professional / Facility Manager:** The long-time Head Golf Professional is responsible for the pro shop operation, driving range, outside services, programming and lessons, and marketing and advertising. This individual is compensated by a salary with benefits, and 50% lesson commissions. He possesses the key industry designation of Class A-1 PGA certification.
- **Grounds Superintendent:** Maintenance is overseen by the GCSAA Class-A Golf Superintendent, who has been with the City for many years. This position is also full-time with benefits.

The FY 17 basic staffing for BRGC is summarized in the table below. Full-time (FT) positions include salary and benefits. NGF estimates a comparative total of about 16 full-time equivalent (FTE) positions in golf course staffing. In addition, there is a volunteer course marshal/ranger staff, which is compensated with free golf.

Golf Maintenance Positions	Pro Shop / Operations Positions	Food & Beverage / Concessions
Superintendent (FT) Asst. Superintendent (FT) Equip. Mgr./Mechanic (FT) Irrigation Tech. (Seas. - FT) Tree Care Spec. (Seas. - 0.8 FTE) Grounds Laborer (Seas. - 4 FT) Grounds Laborer (Seas. - 4 – 0.75 FTE) Other (Seas. – 2 – 0.4 FTE)	Golf Professional (FT) Assistant Professional (FT) Golf Teaching Asst. (75%) Staff – pro shop, outside serv., etc. (5 – PT/Seas. – 3 FTE)	Concessions Leader (FT) Temp/Seas. Staff - (2.3 FTE)

NGF can reference no formal ‘standard’ for municipal golf course staffing due to recent industry trends that have seen the reduction of full-time staff in favor of part-time and/or seasonal workers. However, NGF experience with municipal 18-hole golf courses at this price point, and in similar climate zones, tells us that BRGC staffing appears to have fewer FTEs than is “typical” for similar operations, on both the operations and maintenance side. There are no industry standards that can be referenced to determine the appropriate staffing levels for a golf operation. The number of staff needed for a particular golf operation depends on several factors, not the least of which is budget considerations. Personnel costs typically represent the largest single expense item in a golf course operation, as is the case for City of Helena.

The FY 17 total budget for maintaining the 18-hole BRGC is \$580,000 (including about \$49,000 in internal charge allocation). This amount is about 11% lower than the NGF industry “standard” of \$650,000 for an 18-hole public golf course. In addition, the NGF standard shows total labor costs to be at or near 50% of total golf maintenance in healthy golf operations, while City of Helena shows labor as 55% of the maintenance budget. Overall, the City is getting great value out of its staff. As just one example, the Mechanic has not only saved the operation considerable money by lengthening the life spans of equipment, but he has also become a revenue generator thanks to private cart repair and winterizing services.

## TECHNOLOGY AND SYSTEMS

BRGC utilizes CourseTrends to host the facility website, and IBS for its Point-of-Sale (POS) system and electronic tee sheet. The POS system connects the facility directly to the City for reporting purposes. NGF's review shows that management is not very active in its use of technology, with no online tee time reservations (all are by phone or in person), no facility 'apps', and just basic utilization of the POS system (e.g., periodic email blasts). However, there is a robust customer database of about 1,300 good email addresses, many of which were captured via the E-club and through the free birthday round incentive. For email blasts, management utilizes POS delivery tools that automatically integrate to the leading social media forums, such as Facebook, Twitter, Instagram, etc.

The facility website is fairly basic, but contains most of the essential elements that industry best practices dictate (listed below); elements that are missing include on-line reservations link (not offered, testimonials/accolades, actual scorecard, and course video (e.g., aerial).

- Golf course details (though no actual scorecard)
- Rates & policies
- Photos of the course (including slideshow on landing page)
- List of facilities
- Calendar of events
- Directions to the course
- Online store (gift certificates and lesson packages)
- Tournament/outing request page
- E-club / E-specials sign up page (free round of birthday golf as incentive)

## MARKETING ACTIVITIES

The Head Golf Professional, working with the Parks Director, is responsible for all marketing, with limited support from the City. Review of the golf system budget shows a \$16,000 advertising budget (includes \$3,600 fee for CourseTrends) for the next three fiscal years. Traditionally, NGF Consulting recommends marketing budgets for golf courses of at least 1% of total gross facility revenue, or roughly exactly what BRGC is budgeted for.

In 2016, NGF notes the absence of a true "marketing plan" to define a strategy, establish goals and define specific activities, though there is a small section devoted to improving marketing within the overall Business Management Plan. Current marketing vehicles include:

- Email blasts to database, integrated with social media (see above)
- Yellow page ads
- Radio spots
- Television spots
- Lodging 'rack' cards
- Helena Visitor and Relocation Guide

One of the challenges the City and golf course management face in their marketing of BRGC is that there is somewhat limited access for daily fee players due to the high number of season passholders (who take up prime morning tee times, especially during the week), as well as heavy league play in the late afternoons when people just getting off work would like to golf. This is one of the primary reasons that the City abandoned recent efforts to rebrand BRGC as a

'destination' golf course. Thus, advertising has generally been focused on messaging about the food & beverage operation, events & programming, and merchandise.

## GOLF PLAYING FEES

{Please refer to fee chart in **Appendix B**}

The City of Helena offers several ways to pay for golf at BRGC, including daily fees, a variety of season passes, and 10-play and 30-play punch cards. For all customers, tee times may be made 7 days in advance, on a 1<sup>st</sup> come, 1<sup>st</sup> serve basis. **In the 'Recommendations' section of this report, NGF will make recommendations about golf playing fees at BRGC.**

### Daily Fees and Punch Cards

BRGC has no distinction between residents and non-residents for any fees, nor are there weekday and weekend daily fee rates. Both 9-hole and 18-hole rates are available, and seniors, juniors, and military receive discounts. The highest peak daily green + cart fee is currently \$50 at BRGC. In addition, there are discounted twilight rates. Unlike the vast majority of municipal golf courses, BRGC does not offer discounted daily fees (e.g., through third party tee time providers) off of 'rack' rates. City policy allows for up to a 3% annual CPI-based fee increase. After several years of fee increases, all golf fees have been held steady for the last three years.

BRGC offers 10- and 30-Round punch cards, which are transferrable, but expire at the end of the year in which they were purchased, which is typical at municipal golf courses. In FY 15, punch cards accounted for about 7,800 rounds, or 17% of total play.

Bill Roberts Golf Course				
Punch Card Passes				
	Cost	Multiple	Per Round	Discount %
10 Rounds	\$155	7.75	\$15.50	22.5%
30 Rounds	\$415	20.75	\$13.83	30.8%
Senior/Junior/ Student - 10 Rounds	\$135	6.75	\$13.50	32.5%
Active Military - 10 Rounds	\$135	6.75	\$13.50	32.5%

As the table above shows, the 10-Round card is priced at a multiple of 7.75 times the regular 9-hole green fee of \$20, equating to an effective 22.5% discount. The other 10-Round cards, as well as the 30-Round card, all offer effective discounts higher than 30%. NGF's extensive experience with municipal golf operations that are accounted for as enterprise funds shows that a standard discount percentage for multi-play cards is in the 15% to 20% range.

### Season Passes

Season passes (memberships) allow for unlimited walking rounds at no additional fee. BRGC offers both Unrestricted (7-day) and Restricted (Monday through Friday, must tee off before 3 pm) passes. Subcategories within these two main categories include Individual (adult and senior), Couple (adult and senior), Student, Junior and Active Military.

As we saw earlier in this chapter, in terms of actual golf fee revenue per round, passholders are paying by far the lowest effective rate per round at BRGC. However, NGF is told that they are, as a group, the heaviest consumers at the facility of merchandise, food & beverage, and lessons, and also produce revenue through annual cart-associated fees, as well as ancillary

items such as bag storage/locker rentals. NGF will make recommendations regarding the season pass fee structure later in this report.

## **GOLF CARTS**

BRGC has a total of 70 private carts, and 55 city-owned carts (new in 2013, funded via internal loan). New carts are in the budget for FY 2022 (\$181K). Private carts are almost exclusively owned by season passholders. Revenues are generated from annual trail fees, storage, private lease payments, repairs, and services such as winterizing that are provided by the Mechanic. Overall, carts generated about \$175,000 in revenue (annual + daily) in FY 16, and cart revenues per round rose by 12% over FY 15. Private cart repairs generated an additional \$8,400 in FY 16.

## **FOOD AND BEVERAGE OPERATIONS**

The basic food and beverage operation at Bill Roberts consists of a small grill area (seating = ~55), serving a basic menu. The facility serves breakfast (all day) and lunch seven days a week; hours of operation during peak golf season are 9:00 am to 9:00 pm Monday through Friday (first tee time is 6:00 am), and until 5 pm on weekends. There is a beverage cart at Bill Roberts that is utilized only during peak demand times (generally during larger league events and during weekends).

The menu features typical grill fare, with burgers, hot dogs, fish –n- chips, sandwiches, wraps, and burritos, as well as a la carte items such as fries, nachos, and onion rings. Notable in their absence are healthful items that many people, especially young adults and other active adults, have gravitated towards in recent years. Meal items are generally priced between \$4.00 and \$6.25 for breakfast, and \$7 to \$9.50 for lunch items. Non-alcoholic drinks include soft drinks (bottles, cans, and fountain), water, juice and coffee. The facility does not offer full liquor. Alcohol includes: domestic and “micro” draft beers \$3 to \$4.50, and \$11 to \$14 for pitcher; and wine \$7 to \$7.50 per glass.

As noted earlier, the kitchen precludes more than one food preparer at a time, leading to service slowdowns, especially when large groups (e.g., leagues) come in. During the time of the NGF visit (weekday afternoons), the food preparer also took orders and payment. NGF was told that there were formerly grab and go sandwiches, as well as hot dogs turning on a machine, but this was eliminated. This situation also contributes to pace of play issues during busy times, as golfers making the turn looking for food have to wait for preparation (they are encouraged to call ahead). Coolers are allowed on course, but no outside food or beverage.

NGF was told that larger groups, such as the Men’s League, will often go to nearby restaurants such as the Brewhouse after events. Larger outings must settle for sack lunches and buffet-style food (e.g., nacho bar, pulled pork sandwiches) due to the space constraints. BRGC will also turn to outside caterers if the tourney organizer requests (per plate charge), but awards ceremonies are often held elsewhere, such as the fairgrounds.

Food and beverage operations at golf facilities tend to achieve two goals: (1) provide direct revenue; and (2) help increase the overall volume of rounds and other revenues at the facility. The primary focus of public golf course F & B service is to serve the needs of the golfers, with occasional non-golf customers and banquet/meeting business a plus. F&B revenue per round at BRGC has consistently been between about \$3.90 to \$4.20 over the last five years. The typical 18-hole public golf course will earn about \$6.10 per round in food and beverage, less direct

costs. The industry standard for direct cost of sales at golf course F & B operations is around 40%; BRGC comes in slightly higher than standard, at about 43%.

## **MERCHANDISE OPERATIONS**

Bill Roberts Golf Course has a small retail area of ~500 square feet, with the floor mainly utilized for hard goods such as club sets, with shoes along the walls and apparel (including much merchandise that includes a new logo for BRGC) on racks along the perimeter. New merchandise recently introduced includes Adidas apparel and Skecher shoes. Despite the limited space, the Golf Professional has been able to increase revenues consistently, from \$3.42 per round in FY 11 to \$4.91 in FY 16, an increase of 44%. In recent years, part of the increase is attributed to the increasing winter use of the simulator and launch monitor, which has not only extended hours of operation of the pro shop, but resulted in more custom club fitting.

The Golf Professional holds a Demo Day each May, which is successful in boosting revenues and exposing new merchandise to potential customers. March is reported to be the busiest time for clubfitting, a revenue center that should be given a boost if a new/renovated building that facilitates a second simulator comes to fruition. NGF has observed that BRGC is operating significantly above the national “standard” for pro shop revenue per round, which is about \$2.50 for “mid-fee” public courses. Additionally, merchandising operations are within industry standard for direct cost of sales, which should be around 70%-75%.

## **ORGANIZED GOLF ACTIVITIES**

One of the keys to successful public golf operations and generating green fee revenue is the continued promotion and hosting of group activities such as leagues, outings and tournaments. These activities are a key to maximizing rounds activity at public golf courses and NGF has observed that golf courses without an active calendar of events are at a severe disadvantage in achieving strong rounds activity. These events tend to stimulate repeat play, resulting in higher rounds per golfer than would be achieved with simply daily fee play.

### **Outings/Tournaments**

Despite facility limitations (i.e., clubhouse) Bill Roberts GC is quite active with respect to hosting outside outings, which accounted for 2,600 rounds in FY 2015. Outings are highly sought after in the golf facility industry not only because of their revenue generating capabilities (green fee, cart, F&B, merchandise credit), but also because they expose some players to the golf course that have not previously played there. BRGC’s largest tourneys include:

- Chamber of Commerce - 128 players
- Catholic Social Services - 112
- Wyman Hewitt Memorial - 100
- United Way - 120
- HBIA - 112
- DAV - 144
- Dept. of Transportation - 100
- Merlin Counseling - 100
- Keller Williams – 40

Other events include the Inner Club Tournament, the City Championship, Bill Roberts Pro-Am, Montana Senior Olympics and the Subaru 3-Man Scramble, Ladies Invitational.

## Leagues

BRGC features very active Men's (must have pass or punch card) and Ladies' Leagues; in total, league play accounted for 4,500+ rounds in FY 15. The Men's League, which comprises 17 teams and 68 players, has a Monday, Tuesday and Wednesday 5:30 pm shotgun tournament each week. Entry includes a \$5 per round (\$2.25 drink; \$2.75 merchandise) credit, which added up to about \$15,000 in revenue in FY 15.

The Ladies League, which comprises about 70 members, has a Thursday 5:30 shotgun tournament each week (~40 - 60 players, weather dependent), and also tees off every Wednesday morning at 9:00 for the 9-Hole Ladies League (first five tees). A Ladies League representative estimated that about 90% of participants come back to the clubhouse for the awards ceremony after the Thursday shotgun. Though league play is an important revenue driver at BRGC, NGF notes that there is a tradeoff, as daily fee players that would pay 'rack' rate are displaced during those times.

## Instruction

Individual instruction and group clinics are provided at BRGC by the Golf Professional, Assistant Golf Professional, Teaching Assistant and an additional seasonal instructor. There was no full-time teaching professional during the time of the NGF visit in June 2016. A policy change in FY 16 (taking effect in FY 17) allowed for all instructors to be compensated with 50% of gross lesson revenue, which totaled about \$24,000 in FY 16, down from about \$28,000 in FY 15. The decline in revenue is attributed primarily to the staffing loss of two pro shop personnel, including one long-time and popular assistant who moved on to become the Manager at Green Meadow CC, which does allow non-members to get lessons.

## Junior Programs

BRGC is active in youth programming, including individual lessons and group clinics, such as the 4-day Youth Golf Camp in mid-June. Additionally, the facility has a PGA Junior League team that competes with 6 other regional teams, including ones in Great Falls, Butte, Missoula and Bozeman. The pro shop carries a good inventory of junior golf club sets for sale, including Rising Star and Flora (for junior girls). The City also has a Kids Play Free program (ages 6-17 with paying adult), after 4 pm on Sundays. The program is marketed on the BRGC website, and via email, posters, and radio. Finally, the Helena School District golf team can play at BRGC at no charge if students have a pass or punch card at any of the three golf courses in town.

## Other Player Introduction / Development Programs

Largely due to staff capacity and facility constraints related to finding a place to get beginning players out on the busy golf course, adult player introduction and development is not a large focus for BRGC. One of the programs offered – 'Couples Night' – is very popular. This tournament, which reportedly sells out each time, is held on four Saturday nights during the summer, and includes golf and dinner. Another popular program is 'Wine & Wedges', which is geared toward female beginners.

Cultivating new golfers is not only key to the future of golf, but it has also proven to be an immediate generator of revenues for facilities. NGF believes it's in the City's interest to find a solution for its adult player onboarding and development constraints so that it can be active in

key “grow-the-game” initiatives, but also so it can help fill some the course’s traditional slow times. Creative programming is especially effective in onboarding new players from segments (e.g., women, millennials) that represent strong latent demand for the game but that may not prefer to be introduced to the game in traditional ways, such as individual lessons.

The PGA of America has estimated that actively engaging in new player development programs can develop as many as 200 to 350 new golfers per year for a golf course. The PGA goes on to estimate that if each new golfer produced 10 rounds of golf per year, it could add upwards of 2,000 to 3,500 new rounds of golf per facility, or as much as \$50,000 to \$87,500 in new revenue per year at an average of \$25 per round of golfer spending. (More on PGA player development later in this report and in Appendix F).

## **Winter Revenue Generation**

For the last six years or so, BRGC has featured a golf simulator in the pro shop building during the winter months when the course would normally have been completely closed. The simulator season was in FY 16 was from November 25 through February. Between lessons, league play (~95% of recreational use), clubfittings, and open play, overall utilization of available hours was reported to be 82%. The simulator was open for lessons and clubfitting and some general play after that date, and was taken down the 3rd week of March (the golf course opened up on February 18).

Total direct revenue generated by the simulator has grown steadily, to \$19,000 in FY 16, despite very reasonable per hour fees of \$27. The Golf Professional reports that it was a normal occurrence to not be able to accommodate demand for recreational use. Also, as noted previously, the simulator has had positive effect on merchandise (\$2K alone on merchandise credits) and lesson revenues, as well as a modest effect on food & beverage revenues (cooler with beverages in pro shop). Winter staff includes the Golf Pro, Asst. Pro, and two seasonal temporary teachers.

## **TEE SHEET / GOLF COURSE ACCESS**

As with any municipal golf course that has hundreds of passholders/members, BRGC must actively manage its tee sheet to ensure that other people and groups have adequate access to the golf course. This is particularly magnified in a community like Helena, which offers only one other public golf choice. Times when the general public, including out-of-area visitors, have particular trouble accessing BRGC include weekday mornings between open and about 10 a.m., as well as weekday late afternoon/early evening during league play (Men’s League is 17 teams, and starts on both hole #1 and #10). During these weekdays, players wanting to play an 18-hole round and teeing off at 2 pm or later must make a back 9 tee time and maintain good pace of play. Currently, the easiest times for daily fee players to access the golf course are Thursday (reported to be BRGC’s slowest day), and Saturday afternoons after about 1:30.

## **PACE OF PLAY**

Though NGF was told that a typical 18-hole round at BRGC ranged from 4 to 4.5 hours, pace of play was one of the satisfaction factors that respondents rated relatively poor on the golfer survey, scoring in the bottom 4% nationally on this benchmark measure. It was also one of the recurring themes in the open-ended comments about what golfers would like to see improved. Survey comments revolved around the lack of marshals (BRGC has no marshals Tuesday through Thursday) and/or lax enforcement when they were on duty.

## BILL ROBERTS GC GOLFER SURVEY

NGF's Golfer Survey Program was distributed in July of 2016 seeking opinions for BRGC. The survey was web-based and emailed to golfers in the BRGC golfer database. A link also appeared on the home page of Bill Roberts Golf Course's website. A total of **334 surveys** were collected by NGF. Of the total survey group, 9% of respondents described themselves as a League Player, 24% as a Passholder-League member, 33% as a Passholder-Non-League member, 15% as a Punch Card Holder, and 19% as a Daily Fee player.

This survey is not intended to be a scientific study of Helena area golfers. Rather, NGF is viewing a small sample of golfers who use Bill Roberts GC to get a general opinion on some key attributes and business drivers of the City golf operation. The NGF survey is used by hundreds of courses across the country, allowing us to compare results from BRGC with other similarly priced courses nationwide.

It is also important to remember that the survey is from golfers *that currently play Bill Roberts*. So these are the golfers who are *happiest* with the course and their ratings are generally going to be more favorable than golfers who may have played the course in the past but have stopped playing. A copy of the survey instrument is displayed in to this report (full report provided under separate cover), with general findings shown below:

### Summary of Findings

1. Overall satisfaction with BRGC is generally good on an absolute scale, though satisfaction benchmarked against other Standard price point facilities (peak fee including cart between \$40 and \$70) that utilize the NGF survey system is roughly in the bottom third percentile. Daily fee players produced the lowest satisfaction rating (7.1), Women's League members the highest (9.3).
2. Interestingly, satisfaction increased consistently with age, beginning with the 30-39 years age cohort (rating of 6.9) right up through the 70+ cohort (8.7).
3. The factors that showed highest level of satisfaction are related to golf course condition (greens were rated the highest, while bunkers fared the worst by far), scenery/aesthetics of the course, and friendliness/ helpfulness of staff. Factors that rated lower on satisfaction included pace of play, support amenities (clubhouse, pro shop) and on-course services (restrooms, drinking stations, beverage cart).
4. The profile of the BRGC survey respondent was predominantly male (82%). The golfers are generally older (70% over age 50 and 47% over age 60), but younger than NGF's national benchmark for GolfSat survey respondents (total U.S. is 85% male and 60% over age 50).

### Custom Questions – Clubhouse Issue

1. When asked if golfers used the Bill Roberts clubhouse/grill for food and beverage before or after a round of golf, 46% responded "almost all the time" or "most of the time". More than one in four respondents answered "rarely" or "never". The majority of golfers use the clubhouse for food & beverage after their round (54%). Among the patrons who utilize the clubhouse half the time or fewer, time constraint was given as the main reason.

2. NGF noted several key themes with the open-ended custom question comments survey respondents made about **other reasons they use the clubhouse/grill half the time or fewer**, including:
  - Facilities outdated, small, uncomfortable and uninviting
  - Limited and/or unhealthy food options
  - Slow service / lack of adequate staffing
  - Don't serve liquor
3. Approximately 59% of respondents indicated that “yes” they would patronize more often if the City built a new golf clubhouse that featured a “sports themed” grill, with high definition televisions, dart boards, golf simulators and video gambling machines, while 26% indicated that they would not, and 15% not sure. One in five said they would use the facility *much* more often. Among those who answered “yes”, 79% said they would utilize the new grill during some days *when not golfing*. Food & beverage, golf simulators and televisions were ranked as the top three features they would use the most, while gambling machines was noted by far fewer respondents.
4. When respondents were asked “when do you anticipate you would use the golf simulators?”, about 55% of those that could say answered they would use them only when the golf course is closed or during inclement weather, while 45% would use them all year round.
5. In review of the custom question open-ended comments survey respondents made about “**how you would improve the current clubhouse operation**”, NGF noted many comments around a variety of topics, with recurring themes and suggestions including:
  - Make clubhouse more comfortable (e.g., larger size, better air conditioning, windows)
  - Build new clubhouse
  - Bathrooms – better, larger and on first floor
  - Full liquor license
  - More beer choices; glass mugs or glasses
  - Better food / more and healthier options
  - Pre-made sandwiches / grab –n- go / self-serve choices
  - Earlier, longer and more consistent hours of operation
  - Expanded beverage cart service, especially on weekends
  - Make prices more affordable

### General Open-Ended Comments

1. In review of the general open-ended comments survey respondents made about **what they like most at Bill Roberts**, the NGF noted a variety of topics; the most common themes included:
  - Overall course/maintenance conditions (esp. greens)
  - Friendly staff and good service
  - Affordability / good value
  - Grounds and scenery
  - Location / convenience

2. The general open-ended comments respondents made about **what needed improvement at Bill Roberts**, the NGF noted many more comments with a variety of topics, the most common included:

- Clubhouse improvements/expansion
- Larger pro shop
- Some staff could be more friendly welcoming (especially to unfamiliar faces)
- Improve food options; stay open longer, with more consistent hours
- Increase time beverage cart is on course
- Improve on-course services (restroom, drinking stations)
- Too much league play
- Improve cart paths/paved cart paths
- Increase watering when course needs it
- Improve the bunkers (especially quality of sand)
- Manage pace of play more aggressively (incl. improved marshaling)

## **SUMMARY – BILL ROBERTS GOLF COURSE**

NGF's review shows that Bill Roberts Golf Course is a well maintained, enjoyable, and very well managed facility that is located in a beautiful setting. It is very popular with local golfers, and serves many purposes for the community. The City (including GAB) and golf course management have utilized industry best practices to grow rounds and revenues in the face of national headwinds with respect to golf participation, and despite the facility limitations documented above with respect to revenue generation constraints.

In addition to facility constraints, BRGC has some internal dynamics - including season pass trends and tee time accessibility for some groups - that are limiting golf revenue growth. This is one of the factors that make the feasibility analysis (next section) for improved facilities that will allow 12-month revenue generation so important. The ultimate goal of enhancing BRGC's revenue generation capabilities with new and expanded revenue centers is so that the facility can be self-sustaining for the long run, without having to rely on fee increases or 'cut-to-the-bone' budgeting to cover operating, capital and debt costs each year. NGF experience has repeatedly shown us that this strategy can work for only so long, before unexpected expenses, and/or a downturn in revenues make it untenable.

# Feasibility Analysis – New Clubhouse

Based on City objectives and direction, determining the feasibility of 12-month revenue generation via a new multi-purpose clubhouse building at BRGC was the key focus of NGF's analysis. As noted throughout this report, upgrading facilities to make Bill Roberts a year-round operation is viewed as integral to ensuring that the Enterprise Fund remains sustainable. This is essential given the City's directive that no further General Fund (i.e., taxpayer) support be given to the Golf Fund after the partial write-off of a loan in 2011.

As we have discussed, the City faces some inherent constraints with respect to meaningfully increasing revenues at BRGC, in its current configuration. These constraints include the capacity of the golf course given the short golf season, the limited ability to sell 'rack' green fees and, most important, the substandard pro shop and clubhouse buildings. The central premise for this study is that significantly upgrading facilities will be the most effective and impactful strategy to put BRGC in a position to meet all expenses, including ongoing capital and equipment requirements (CCIP budget through FY 2026 is \$2.9 million), without having to rely on continually raising fees to generate higher revenue, a strategy that can work only up to a point.

Aside from the incremental net revenue that a new facility would generate (analysis below), other factors that must be considered when analyzing the feasibility of a new building include:

- Based on a recent study commissioned by the City, it is estimated that it will require about \$130,000 to remedy ADA non-compliance issues with the pro shop and clubhouse buildings.
- Aside from ADA issues, the buildings have other improvement needs. The pro shop roof is 20 years old and needs to be replaced in the next couple of years. The pro shop also needs new fixtures in the bathrooms, which are inconveniently located.
- The clubhouse roof needs replacement very soon. It also requires additional spending on new carpet.

So, in addition to the well documented facility limitations, short-term capital needs related to ADA and other issues intimate that the time is right for the City to strongly consider replacing the pro shop and clubhouse buildings. For purposes of this analysis, NGF has assumed that expanding and modernizing the two separate buildings would likely not be cost efficient or maximize the revenue opportunity at BRGC, so the following analysis focuses solely on the feasibility of a new multi-function clubhouse building.

We assume that this building would be programmed as a sports bar-themed destination facility that will have broad appeal for multiple types of user groups, both golfer and non-golfer, in the Helena area. Among the proposed features of the new clubhouse will be:

- Sports-themed bar/grill to accommodate ±100 patrons indoors, to include:
  - Two golf simulators
  - Up to 12 gaming machines
  - Several state-of-the-art big screen television
  - Dartboards and sports themed memorabilia on walls

- Outdoor patio
- Expanded kitchen to facilitate faster service and accommodate larger groups
- Separate room for corporate meetings, birthday parties, etc. (optional)
- Pro shop, with larger retail area than current building
- Main lobby
- Offices / storage

#### **Aerial View of BRGC Entranceway / Parking Lot / Pro Shop / Clubhouse**

The Google Earth aerial below shows the pro shop and clubhouse buildings in the southeast portion of the image.



Google Earth image showing the parking, pro shop, clubhouse, cart barn and maintenance areas of BRGC. We note that combining the pro shop and clubhouse in a single-purpose building should free up some land to expand the range.

## SIMULATOR REVENUE MODEL

NGF Consulting has created a financial model to estimate the incremental revenues that would result from the addition of a second simulator, located within a new clubhouse building, and available on a year basis. Justifications for demand estimates (direct revenues only; effect on other revenue centers considered separately), as well as key model input assumptions, follow.

### Demand Estimate Justifications

Key considerations and factors that NGF utilized to create the model inputs include:

- Revenues on the existing simulator have been rising steadily during the 3-month winter seasons, despite cramped quarters, lack of support amenities (e.g., food service) and a less-than-ideal atmosphere in the pro shop building. Overall utilization percentage was over 80% in FY 16, and the Head Golf Professional reports having to turn some groups away. Demand also suggests that there is room to increase the \$27 hourly fee.
- A much nicer atmosphere and more appealing setting that will be more conducive to social gatherings and induce customers to stay on property longer.
- Increased year-round programming opportunities:
  - Women, juniors, millennials, softball leagues
  - Leagues, tournaments, contests
  - Corporate/organizational team building events
  - Targeted marketing; for example, 9-hole rounds for workers/students (e.g., Carroll College) during lunch break
  - Have 16 foot screens – use for MNF, etc.

### Financial Model Assumptions

Below are the key assumptions that were used as inputs for the simulator incremental revenue model:

- BRGC purchases a high quality, late model simulator / launch monitor
- There will be two seasons:
  - Winter peak season is roughly end of November through end of February
    - 90 days on average, minus 3 days closed for bad weather and holidays
    - Average open 11 hours per day of sellable hours
    - Average one “user” (group per hour)
    - Total utilization across all available hours is 75% in year 1, gradually increasing to stabilized utilization of 80% by year 4
  - Off season is roughly beginning of March through late November
    - 275 days on average, minus 2 days closed for bad weather and holidays
    - Average open 12 hours per day of sellable hours
    - Average one “user” (group per hour)
    - Total utilization across all available hours is 35% in year 1, gradually increasing to stabilized utilization of 40% by year 3
- \$1,000 incremental annual expense – service contract for 2<sup>nd</sup> machine

## Results – Simulator Only

Inputting the assumptions above into the Simulator incremental revenue financial model yielded the following summary results:

<b>Bill Roberts Golf Course Simulator Estimated Economic Impact</b>						
<b>Utilization Assumptions</b>		<b>Year 1</b>	<b>Year 2</b>	<b>Year 3</b>	<b>Year 4</b>	<b>Year 5</b>
Est. # of Available Days	365					
Less Holidays & Bad Weather Days	5					
Potential Simulator Days	360	360	360	360	360	360
= Number of "golfers"		3,600	3,900	3,900	3,900	3,900
<b>Gross Simulator Revenue</b>		<b>\$113,800</b>	<b>\$131,000</b>	<b>\$138,300</b>	<b>\$142,400</b>	<b>\$146,500</b>
FY 2015 Simulator Rev. (2% infl.)		\$19,000	\$19,400	\$19,800	\$20,200	\$20,600
Incremental Gross Rev. w/ 2nd Sim		\$94,800	\$111,600	\$118,500	\$122,200	\$125,900
<b>Less: Additional Expense</b>		<b>\$1,000</b>	<b>\$1,000</b>	<b>\$1,000</b>	<b>\$1,000</b>	<b>\$1,000</b>
<b>Incremental Net Income</b>		<b>\$93,800</b>	<b>\$110,600</b>	<b>\$117,500</b>	<b>\$121,200</b>	<b>\$124,900</b>

The Simulator Revenue Model shows that the second simulator, located in the new clubhouse as described, will generate gross revenues of about \$114,000 in Year 1, growing to \$146,500 by Year 5. Considering current FY 16 revenues with one simulator, and assuming 2% annual growth if the City continued with only one simulator, incremental net revenues due the second simulator are about \$94,000 in Year 1, growing to just under \$125,000 in Year 5.

## OTHER REVENUE CENTERS

NGF Consulting has created financial projections to estimate the incremental net revenues in several other revenue centers that would be enhanced, or created, with the addition of the new clubhouse building that is available on a year-round basis:

- Merchandise
- Food & Beverage
- Lessons
- Gambling Machines
- Meetings & Room Rentals

### Demand Estimates Justifications

Key considerations and factors that NGF utilized to create the model inputs for the above listed revenue centers follow. Assumptions regarding the projected growth rate in per round merchandise and lesson revenues were based on review of BRGC financials, and discussions with the Head Golf Professional/Manager.

#### Merchandise

- Simulator generated direct revenue of about \$2K in merchandise credits (gross) in FY 16.
- Head Golf Professional attributed estimated that about \$30,000 of the recent increase in merchandise revenues (~20% increase over prior baseline) was attributable to the effects of the simulator/launch monitor being available during the winter.
- Improved selling atmosphere of the proposed new pro shop, as well as the assumption of a dedicated area within the new bar/grill for the two simulators.

#### Lessons

- The additional simulator in the enhanced surrounding will afford increased teaching opportunities during the late winter, early spring and late fall.

#### Food & Beverage

- Expectation of a new 'destination' sports bar type grill that will be relatively unique for Helena; other similar facilities in town limited to Brewhouse Pub & Grille, Buffalo Wild Wings, Bert & Ernie's.
- Relative lack of restaurant choices along in proximity to BRGC.
- Proximate demand drivers, including Carroll College, residential areas along Benton.
- Increased patronage from golf customers (especially leagues who will have more incentive to stick around after their rounds for awards, to play cards, watch a game, etc.); increased activity for golfers at the turn with more convenient service.
- Much more business from non-golf customers for breakfast, lunch, dinner or to just watch a ballgame or take advantage of the other amenities.

## Gaming Machines

- Interview with Manager of Butte Country Club – facility has four gambling machines, and generates an average of \$10K annually on each, with a \$25K profit.
- Data from the State of Montana Department of Justice – Gambling Control Division indicates a typical range of \$25 to \$45 in average daily gross revenue per Video Gambling Machine (VGM), depending on model, for establishments with 1 to 19 machines in place.

## Meetings and Room Rentals

- Golf courses in nice settings, and with sufficient space and nice amenities, are nearly always in high demand for corporate meetings, birthday / anniversary / graduation /holiday parties, as well as low-to-mid budget weddings and banquets.
- Relative lack of such facilities in Helena.

## Assumptions

To project the incremental net revenue for the revenue centers expected to be affected by a new clubhouse and enhanced year-round operations, the key inputs and assumptions noted below were used for the model.

- FY 2016 actual operating results (source: City of Helena) were used as the basis for the 'As Is' scenario. For Year 1, inputs are:
  - 44,200 rounds played (same breakdown percentage-wise by type as in FY 15) for both 'Base' and 'Enhanced' scenarios.
  - Per round revenue inputs – **Base** Scenario:
    - Merchandise: \$4.91
    - Food & Beverage: \$4.06
    - Lessons: \$0.55
  - Per round revenue inputs – **Enhanced** Scenario:
    - Merchandise: \$5.65 (15% increase)
    - Food & Beverage: \$8.00 (nearly double current)
    - Lessons: \$0.71 (30% increase – gross)
  - Projected per round revenue annual growth rates – Base Scenario:
    - Merchandise: 3.5%
    - Food & Beverage: 1.5%
    - Lessons: 1.0%
    - Simulators: 3.0%
  - Projected per round revenue annual growth rates – Enhanced Scenario:
    - Merchandise: 5.0%
    - Food & Beverage: 3.0%
    - Lessons: 2.5%
    - Simulators: 3.0%
    - Meeting/facility rentals: 10.0%
    - Gaming machines: 3.0%
  - Cost of Goods Sold (Base **and** Enhanced scenarios):

- Merchandise: 74%
- Food & Beverage: 45%
- Lessons: 50%
- Meetings/facility rentals: 60% (additional labor, supplies, etc.)
- Gaming machines: 50% (all-inclusive service charge, including annual \$250 license fee per machine)
- Simulator revenue of \$19,000 (actual for FY 16) is used for base scenario.
- No revenue was assumed for Meetings/facility rentals or Gaming Machines for “As Is” base scenario.
- For F&B revenue center, in addition to direct COGS, we assumed an additional \$90,000 in labor/other expenses in Year 1 under enhanced operations scenario. This figure is based off of 24 additional labor hours (kitchen, wait staff, etc.) per day @ \$10 per hour, with resulting number rounded up \$90,000

## Results – All Revenue Centers

Inputting the assumptions above into the incremental revenue financial model yielded the following summary results:

Bill Roberts Golf Course - New Building Incremental Revenues								
44,200 Rounds	Existing – FY 2016			New Building – YR 1				
Revenue Center	Per Round	Gross Revenue	Net	Projected per Round	Projected Gross Revenue	Cost of Sales	New Building Net	Incremental Net Revenue (rounded)
Golf Lessons	\$0.55	\$24,100	\$12,050	\$0.71	\$31,300	\$15,650	\$15,650	\$3,600
Merchandise	\$4.91	\$217,100	\$57,320	\$5.65	\$249,700	\$184,752	\$64,913	\$8,500
Food & Beverage	\$4.06	\$179,300	\$98,615	\$8.00	\$353,600	\$159,120	\$194,480	\$95,900
Simulator	\$0.43	\$19,000	\$19,000	N/A	\$111,200	\$1,000	\$112,800	\$93,800
Meetings & Fac. Rentals	N/A	\$0	\$0	N/A	\$50,000	\$30,000	\$20,000	\$20,000
Gaming Machines (10)	N/A	\$0	\$0	N/A	\$60,000	\$30,000	\$30,000	\$30,000
		<b>\$439,500</b>	<b>\$186,111</b>		<b>\$858,365</b>	<b>\$421,522</b>	<b>\$436,843</b>	<b>\$251,800*</b>
<div> <div> <b>Annual COS:</b> </div> <div> <b>Financing:</b> </div> </div> <div> <div> F&amp;B 45% +\$90K labor/ other x/p  Merch. 74%  Lessons 50%  Gaming 50% </div> <div> Intercap Loan 15  Term  Int. Rate 1.55%  Coverage 1:1  Warranted Inv. \$2,150,745 </div> </div>								
*Before incremental labor expense of \$90,000.								

When the effect on all relevant revenue centers is measured, incremental gross revenues associated with the new clubhouse and 12-month revenue generation are projected to be about \$419,000 in Year 1, with the resulting net incremental revenues, after cost of sales and other expenses, projected to be \$162,000. (Net incremental revenues for the five-year period are captured in the full pro forma in the Financial Projections section at the end of this report).

NGF has estimated a Warranted Investment for the clubhouse project, utilizing the financing terms shown below.

- City Intercap Loan
  - Terms of 15 years
  - 1.55% interest rate
  - 1:1 coverage ratio

Based on Year 1 incremental net revenues and the financing terms above, NGF estimates the Warranted Investment level for the new clubhouse to be about \$2.15 million. This means that the incremental net revenues resulting from the new building are not expected to be sufficient to cover the debt service for an investment higher than this amount. (As we will see in the Financial Projections section, the number grows to \$2.56 million when using 'stabilized' Year 4 net cash flows). The warranted investment relates to the sum of all project costs, including soft costs (consulting, permitting, etc.) and hard costs (construction; contingency; one-time start-up capital such as kitchen equipment, simulator, furniture and fixtures, etc.)

For purposes of this study, NGF has utilized current interest rates for the Intercap Loan Program. However, we note that this is a variable rate program, and that interest rates may change by the time financing for a new clubhouse is put in place. The table below shows how the warranted investment would decline with increases in the interest rate.

<b>Warranted Investment – Interest Rate Sensitivity Analysis</b>			
<b>Financing:</b>			
Term	15	15	15
Int. Rate	1.55%	2.00%	3.00%
Coverage	1:1	1:1	1:1
Warranted Inv. (Year 1)	\$2,148,086	\$2,076,441	\$1,929,170
Warranted Inv. (Year 4)	\$2,559,360	\$2,473,997	\$2,298,530

# NGF Recommendations

NGF Consulting's operations review revealed that BRGC is a very active, well-managed and popular golf facility. Therefore, the focus of our operations-related recommendations is on the few areas where there is room for improvement or a change in policy (e.g., fee levels, F&B services, marketing). It is hoped that implementation of some or all of these recommendations will complement any efforts to improve the facility amenities for 12-month revenue generation. NGF Consulting recommendations to be considered by the City have been organized into: (1) Facility improvements (clubhouse); and (2) Operational.

## NGF CONCLUSION – FEASIBILITY OF NEW CLUBHOUSE

Based on NGF's conclusions regarding increased utilization of current revenue centers, addition of new revenue sources, and much broader appeal for existing and new user groups, we believe that the addition of a new multi-function 12-month clubhouse at BRGC will have significant positive impact on facility net revenues. (NGF concluded that renovating the two separate buildings would likely not be cost efficient or maximize revenue opportunity).

We note that, for purposes of conservatism, NGF's analysis assumed *only* revenue resulting directly from the addition of the clubhouse. It is certainly possible that the new building will have a positive effect on other revenue centers not directly clubhouse-related, such as rounds played (e.g., more outings, or higher fee for existing outings) or driving range (potential larger grass tee if current clubhouse removed). Finally, an additional benefit of a new building – one *not* included in the projected incremental net revenues – is that ADA related repairs (estimated \$130,000 for buildings) and other needed capital items, such as new roofs, are obviated under this scenario.

NGF believes that our base assumptions that drive the revenue estimates are conservative. Still, while the City has the opportunity to create a popular new community destination, it is essential that the new clubhouse be programmed correctly and not “overbuilt”. It is also very important that the City conduct further study to get a very firm handle on probable costs. If planned properly, the new clubhouse building should position Bill Roberts Golf Course to compete effectively and generate revenue at a high level for many years - well beyond the time the debt is paid off.

## OPERATIONAL RECOMMENDATIONS

NGF's review has revealed a very well run golf facility, generating high activity levels and increasing revenues in the face of national trends that suggest performance should be level or even declining. As we've discussed, most of the improvements that can be made at BRGC to enhance operations and increase revenues relate to the physical facilities. However, NGF has identified some modest operational adjustments that, when implemented together, can result in making an already successful operation even stronger. These recommendations are based on the consultants' experience and expertise, and stem from a limited review of the operation and facilities. We also recognize that some of these items are already be enacted to varying degrees and that various administrative and other limitations may prevent management from implementing some of these items.

## Marketing

A marketing emphasis is generally critical for a golf course to create awareness, increase daily fee and tournament play, and perhaps correct misperceptions in the market. Strategies often include advertising to create a brand image and maintain awareness, developing a public relations campaign to tout the high quality of a facility, and increasing utilization of web, print, and yield management strategies. An effective and comprehensive marketing plan incorporates research, planning, strategy, market identification, budget, advertising, timetable, and follow-up, such as tracking to adequately gauge effectiveness of various campaigns and vehicles.

We previously observed that BRGC's marketing budget – equivalent to about 1% of gross revenue - is appropriate for this type of facility. Also, BRGC's situation is somewhat unique in that it is a very busy golf course in a relatively small community, and is not necessarily fighting for market share. To the contrary, there are times when staff cannot fit daily fee players on the course. This is the primary reason that a previous rebranding effort was abandoned, and also explains why much of the current marketing strategy focuses on merchandise, food & beverage, and instruction.

If the City ultimately constructs a new clubhouse at BRGC there will be a much greater need for enhanced direct selling and marketing, though efforts will still be most impactful financially if directed at revenue centers such as food & beverage, simulator use, and meetings/facility rentals. ***For the time being, NGF recommends that the marketing focus remain on ancillary revenue centers, as well as on creating new programming and targeted marketing to help fill the few slow tee time periods.***

Some areas of marketing emphasis noted by NGF for BRGC include:

**E-mail** – E-mail databases are essential in today's golf market place, as a means of staying in touch with the golfer customer base. E-mail marketing, with the exception of word-of-mouth and free advertising, is the most cost-effective advertising possible. Management reports about 1,300 good records in the BRGC database, which management sends weekly email blasts to. However, these emails are general in nature; NGF recommends that the BRGC make more use of email marketing as a yield management tool to attempt to sell tee time inventory that might otherwise go unfilled (e.g., Thursday and Saturday afternoons). We also recommend, as a best practice, that there be a policy dictating that pro shop staff ask every unknown customer who walks through the door their email address and zip code.

**Website and Internet** – The Internet is the most cost-effective form of advertising for golf facilities. [www.billrobertsgolf.com](http://www.billrobertsgolf.com) is the address for the dedicated website for BRGC, while the City homepage has a link to the course website. We noted earlier in the report that the website, supported by CourseTrends, has most of the essential elements NGF recommends for public golf course websites. However, elements that are missing include on-line reservations link (not offered at BRGC), testimonials/accolades, actual scorecard, and course video (e.g., of drone video City is planning to produce). Also, the website has a pedestrian feel to it, and could use some sprucing up, with a cleaner look, more and better photos, and a more impactful landing page (i.e., something other than club history).

**Print / Brochure** – Printed ads can still be effective in golf, and the City of Helena does place advertisements in several local publications. Golf fold-out pieces, with the word "Golf" in the upper 1/3 of the front page, are also effective in markets that have a lot of tourists. These are generally distributed in as many area visitor centers, hotels, and tourist attractions with

information racks as is reasonable. NGF research reveals that 33% of all golfers play golf when they travel.

**Area Lodging Properties** - Cross-promotions and package deals with area hotels and motels can be an effective tool in destination markets (though, again, BRGC has some course accessibility constraints). This may involve allowing for a special rate that can be exclusive to lodging partners, and/or allowing for a longer advance tee time policy for bookings.

## Daily, Punch Card, and Season Pass Fees

Below are NGF's recommendations regarding fee levels at BRGC.

### Daily Green Fees

Based on our analysis of the Helena market and BRGC's overall value proposition, NGF believes that the current daily green fees (peak 18H riding rate of \$50) are appropriate. However, NGF recommends the City consider the following:

- In addition to offering punch cards, consider a loyalty/frequent player program. These have become ubiquitous across the country and are an effective way to increase frequency of play among some customers. There are many varieties of these programs, but all involve a low-fee or no-fee membership that entitles the holder to fee discounts or allow them to accumulate points that can later be applied toward purchases.
- Examine demand patterns among daily fee players and consider instituting a weekend rate that is \$2 to \$4 higher than the weekday rate.
- Create an advance reservation rate (cart included) for groups of 8 or more that is prepaid and non-refundable, and priced at a \$5 or so premium over the regular daily fee rate. This would require a policy change from the 7-day advance for all.
- Offer promotional deals (marketed via email blasts), including packages with food & beverage and/or driving range bucket, to help fill tee times that typically go unsold (e.g., slow times on Thursday, Saturday afternoon).

### Punch Cards

Our previous analysis revealed a 22.5% effective discount (off regular 9-hole walking fee of \$20) for the regular 10-Round card, while the other 10-Round cards, as well as the 30-Round card, offer effective discounts higher than 30%. We noted that NGF's experience with municipal golf operations within enterprise funds showed a standard discount percentage for multi-play cards in the 15% to 20% range. The table below reflects NGF's recommended changes to the punch card prices at BRGC.

Bill Roberts Golf Course Recommended Punch Card Fees			
	Cost	Per Round	Discount %
10 Rounds	\$170	\$17.00	15%
30 Rounds	\$510	\$17.00	15%
Senior - 10 Rounds	\$160	\$16.00	20%
Military/Junior/Student - 10 Rounds	\$135	\$13.50	32.5%

As we can see, the recommended changes result in equal discounts for the 10- and 30- Round cards, but we are also recommending that, with this change, the 30-Round card **extend to a 2-year expiration date**. (Extending the expiration date by one year may have an unintended benefit in that some tee times may open up for max-revenue daily fee rack rounds). The current 10-Round discount for active military, juniors and students remain the same in the NGF recommended structure.

### Season Pass Program

Earlier we saw that Unrestricted adult singles/couples combined to play an average of 69 rounds in FY 15, while paying an effective rate of only \$11 per round. Restricted passholders (about 80% senior) played 45 times on average, and paid an effective rate of \$12. The tables below show the current and recommended prices as multiples of the 18-hole daily fee rate. *NGF has typically recommended that municipal golf courses that are operated as Enterprise Funds, and held to the standard of self-sustainability, institute multiples of 25 to 30 for unlimited play, 7-day passes that have no per round surcharge.*

Bill Roberts Golf Course Season Passes (Unrestricted)				
Season Passes Type	Cost	Multiple	Proposed X	New Fee
Individual Adult	\$700	20.6	25	\$850
Adult Couple	\$1,090	32.1	38	\$1,300
Senior Individual (65+)	\$640	18.8	22	\$750
Senior Couple	\$1,050	30.9	35	\$1,190
Student (full time/23 yrs max)	\$380	11.2	12	\$410
Junior (18 and under)	\$175	5.1	6	\$205

Bill Roberts Golf Course Season Passes (Restricted)				
Season Passes Type	Cost	Multiple	Proposed X	New Fee
Individual Adult	\$575	16.9	20	\$680
Adult Couple	\$875	25.7	32	\$1,090
Senior Individual (65+)	\$525	15.4	20	\$680
Senior Couple	\$875	25.7	32	\$1,090
* No play on weekends or after 3pm weekdays				

**NGF is not recommending that the City arrive at these new multiples and prices in FY 18**, but rather that we believe these should be the ultimate targets (as they are based on the daily fee rate, they would adjust automatically when daily rates are changed). In terms of recommended pricing for FY 18, NGF proposes a \$40 increase for Unrestricted Individual Adult, and \$30 for Unrestricted Individual Senior; increases in other categories would be commensurate with proportional increases as enacted in previous years by the City.

### Internal Charges

As we discussed earlier, the City of Helena allocates internal charges to the Golf Fund for services according to a uniform process and formula based on FTEs. We also noted that it is impractical to benchmark these charges across cities and golf funds, due to the high number of variables involved. NGF Consulting has seen a range from \$0 up to \$400,000 or more for 18-hole courses during its many years of doing municipal golf operations reviews. The 2013 NGF

Municipal Golf Survey showed the median annual transfer from the Golf Enterprise Fund to the General Fund was \$119,000. (To use a local Montana example, the City of Great Falls' CAFR listed a charge of \$142,000 for two courses and 36 holes).

Allocated charges are often a point of contention for those municipal staff charged with ensuring that golf operations remain economically viable. A common contention is that the amount charged may not fully represent "market rate" for the services rendered. It is difficult for NGF to appropriately estimate the "true value" of these services during our consulting engagements, but we find that the amounts are typically higher than what a privately-owned golf course would pay for comparable services such as financial, accounting, legal, custodial, IT, administration, etc.

Essentially, the amount of the charge for any municipality boils down to a public policy decision based on two key factors: 1) Is the amount of the charge justified based on the actual cost for other departments to provide these services?; 2) Does charging this amount result in a reduced operating budget (thus perhaps weakening the facility's ability to compete effectively) and/or preclude the Golf Fund from financing necessary capital improvements, the deferral of which will eventually lead to a serious deterioration of the product?

Each municipality must answer these questions according to their own policies and objectives, as well as the health of their General Fund. In general, the NGF recommends that the services be charged at a rate as close to "market" as can be established. That is to say that the golf course should not be charged for these services at a rate that would be higher than would have to be paid for the services if acquired through private sources on the open market.

## Food & Beverage

F&B service at a public golf course is not necessarily intended to be a profit center, but rather is there to support the primary business of selling green and cart fees. For instance, food & beverage carts, in isolation, are often money losers for a golf course, but this is a service that is expected by golfers, who might otherwise play elsewhere. Most successful food and beverage operations at public golf courses are those that offer simple, quick, and inexpensive service that is convenient to the round of golf.

Obviously, food & beverage service at BRGC is part of the bigger picture recommendation, and the current facilities certainly limit what can be accomplished. However, even if the City decides ultimately to not build a new clubhouse, we believe there are some operational tweaks that should be enacted (some of these, such as theme nights, will be much more practical with a new building). While not all of these recommendations will result in improving the net return of Concessions, they are industry best practices with respect to providing service to golfers. These include:

- Enact consistent hours of operation for clubhouse and food & beverage cart; with the first tee time during the summer at 6 a.m., early morning golfers should be able, at a minimum, to purchase coffee and Danish, even if on an honor system.
- Reintroduce grab and go items, such as premade sandwiches, as well as the hot dog machine.
- Run a barbecue grill, especially during busier times, with items such as hamburgers, hot dogs, and grilled chicken at the ready. This should improve the pace of golfers making the turn.

- Create events such as theme nights and brunches (prices are just illustrations):
  - **Mondays:** 50-cent wing night + happy hour through *Monday Night Football*.
  - **Tuesdays:** \$5 pasta night.
  - **Wednesdays:** Trivia night with buffet menu.
  - **Fridays:** Pub night with light fare menu
  - **Sundays:** Sunday brunch special \$9.95 adults and \$6.95 kids

## Player Development & Programming

New player development, including a multi-pronged Junior Program, will be one of the critical elements to the long-term viability of golf as a recreational activity, and should be a point of emphasis at all municipal golf facilities. Also, because of today's difficult climate for golf operations, tapping latent demand among groups that traditionally have shown relatively low golf participation – such as women and minorities – is more important than ever. PGA data shows every new golfer developed could be worth as much as \$250 per year (10 rounds at \$25), and the common successful player development program produces at least 200 new golfers per facility.

Key recommendations for player development programming include (**see Appendix F for more detail**):

- Work directly with the PGA, LPGA, and First Tee on programs that work, and how to properly implement and promote them. Examples include Get Golf Ready; Hook a Kid on Golf; Drive Chip & Putt; First Tee; PGA Junior League (latter two already in place at BRGC); LPGA-USGA Girl's Golf; and LPGA's Teaching Her. Add focus on transitioning new players from learning to playing golf.
- Encourage and provide incentives for staff to provide golf lessons during off hours.
- Create programs to provide older, used golf equipment to always be available free of charge for beginners, and possibly for other needy prospects via donation or at a deep price discount.

## Increasing Women's Participation

This represents a major “industry best practice” and is recommended by NGF to every golf course we review. At present, women account for about 20% of golf participants, but 40% of beginners. There are many reasons why female golf participation is low, but increasing participation from women is one of the keys to maximizing revenue. The most common issues relate to golf course length/difficulty, retail selection, on-course services (restrooms, drinking fountains), food / beverage selection, and customer service. Programming, such as leagues, and special events (e.g., “9 and Wine” events) are also key to making the golf course a more inviting and social place for women.

Recent NGF studies related to women and golf revealed several facets that were key in their consideration of where and how much to participate in golf. NGF identified several common characteristics that female-friendly golf facilities exhibit, such as:

- Golf courses that are not too overly difficult, and have a most forward tee of less than 4,600 yards with, with no “forced carries” of over 60 – 80 yards.
- Restrooms (cleaned several times a day) at least every six holes on the golf course; features and items should include mirror, soap, lotion, sunscreen, Band-Aids, etc.

- Ball washers on the forward tees.
- At least one female instructor and a golf staff that takes a consistent approach to all players regardless of gender.
- Help with selecting equipment and even women-only demo days and/or women-only custom fitting days.
- The availability of women's club rental sets.
- Programs that allow more social and/or family involvement.

### Millennials / Young Adults

One of the major initiatives to grow activity that NGF recommends is specialized programming and events aimed at onboarding or simply increasing the patronage of young adults. National NGF research ("*Golf & the Millennial Generation*") has shown this to be a key demographic in growing golf activity. Please see separate attachment to this report for actual examples of programming and events that golf operators have instituted to increase the golf participation and engagement of young adults.

### Technology

More comprehensive use of the POS could help BRGC management better understand its customer profile segments with improved reporting and sales data, while also providing assistance in marketing and customer tracking. Technology is one of the most important and tools available to a golf course management team to create incremental revenue. Technology defines and guides the marketing strategy to build a larger customer database, create customer loyalty and boost revenue. The efficiency of software for tee time reservations, operations / accounting reporting, retail point-of-purchase reporting, and overall management information systems has advanced dramatically in recent years and can help improve overall performance.

- The *IBS* system in place at BRGC should contain tools that facilitate initiatives generally recommended by NGF, although some may require additional training or upgrade of hardware/software:
  - Use the POS system to identify specific customers and spending patterns to help effectively implement targeted email marketing campaigns (i.e. data mining), rather than one-size-fits-all email blasts.
  - Integrate social media tools into email marketing. This can be done automatically through delivery tools that automatically integrate to the leading social media forums, such as Facebook, Twitter, Instagram, etc. (This is already being done at BRGC).
- Consider an online reservation system, which the vast majority of quality golf courses offer.
- Consider having a smartphone application developed that includes yardage guides and allows golfers to receive text alerts broadcast from the email system. The average person checks their cell phone 150 times per day. Having a mobile application facilitates connecting with the customer, and can be especially appealing to young adults.

## Pace of Play Management

While there is no magic bullet that can be pressed at a busy municipal golf course – especially during peak demand times - that has customers with all manners of skill levels, there are some things that can be tried to speed up play and mitigate the pace issue. A training (or retraining) program for marshals might make them more effective. Also, to the extent possible, care should be taken in hiring volunteer marshals that seem to want to do a good job, rather than simply earn free golf privileges (NGF is *not* purporting that to be the case at BRGC). If slow pace of play becomes an issue that begins to effect demand at BRGC, other things the City should consider to improve pace of play include lengthening the tee time interval during traditionally slow play periods (drawback is reducing capacity), and bringing in a pace of play consultant to study play patterns, layout, etc.

## Customer Service

While NGF was not on property long enough to observe any obvious deficiencies in service, the results of our golfer survey indicated there is room for improvement and consistency of service (across user groups). Though “Friendliness/Helpfulness” of staff had a fairly high absolute measure – 8.3 out of 10 – on the survey, BRGC did rank in the lower 40% of standard price point facilities when benchmarked nationally. Also, many open ended comments from respondents noted that the reception from pro shop staff could be warmer.

BRGC has only one public access competitor locally and is likely not at serious risk of seeing a loss in market share. However, to maximize play and reflect well on the image of the City of Helena, management should attempt to raise the overall level of service from the moment the golfer sets foot on the property. This includes a friendly welcome, especially for faces that staff may not have seen before. This is also true for larger outings such as charity fundraisers, which often will rebook their annual outings after a good experience and which expose some golfers to the course for the first time.

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# BRGC Preliminary Financial Projections

NGF Consulting has created a cash flow model for Bill Roberts Golf Course, assuming the continued operation of the facilities under the present structure, similar maintenance conditions, and with some NGF recommended operational changes implemented (e.g., season pass fee increases). We also assume that the overall economic condition remains stable, without any sizable increase or decrease in the Helena area economy, employment, or visitation. Additional assumptions are shown below.

## FINANCIAL PROJECTIONS 'AS IS' SCENARIO (FY 2018 – FY 2022)

### Assumptions

- Rounds are held steady at 44,200 (reported FY 16 numbers) throughout the five-year period, though year-to-year weather conditions will result in variations will affect, and some NGF recommendations may have positive effect if implemented.
- The percentage of play by category is held steady with actual FY 15 results: 25% daily fee, 17% punch; 58% season pass.
- The number of total season passes is held level at 460 (464 actual in calendar year 2016) for the five-year period, though NGF continues the recent trend of the mix changing toward lower fee category passes (e.g., adult unrestricted to senior unrestricted; increase in Junior category).
- For purposes of determining per round revenues for rounds of play, league rounds assumed 50% punch card and 50% season pass.
- Base 'As Is' Year one inputs for green fee, daily cart (per round), annual cart (per pass), driving range and miscellaneous (bag storage, rentals, etc.) revenues per round are based on recent historical results. Punch cards rev per round is based on FY 15 (only year for which rounds detail available), plus proposed increase based on NGF recommendations. Annual growth reflects recent trends:
  - Daily Green Fees (incl. tournaments) – 1.5%
  - Punch Cards – 1.5%
  - Annual Cart (per Pass) - 3.0%
  - Daily Cart – 1.5%
  - Merchandise Sales – 3.5%
  - Driving Range – 1.0%
  - Food & Beverage – 1.5%
  - Instruction/Lessons – 1.0%
  - Miscellaneous Income – 0.0%
- Season Pass fees reflect fee schedule shown in Recommendations section of this report, and assume that 75% of the actual increase in fees flows through to the revenue per round for the Adult Individual Unrestricted and Senior Individual Unrestricted categories. Actual revenue per pass for other Unrestricted (blended) is held level at \$460 (~FY 16 actual), assuming recent trend of increasing percentage of Junior category continues over the five-year period. Average revenue per pass (blended) for Restricted is \$550 (~FY 16 actual) in Year 1, growing at 1% thereafter.

- Cost of Goods Sold for Merchandise and F&B equal recent historical; lessons are 50% to reflect new commission policy. Simulator is \$1,000 for annual service contract on new machine.
- Operating expenses in Year 1 are based on FY 17 budget numbers, and are projected to grow at 2% per annum.

## Summary Financial Projections – FY2018 - FY2022

The overall BRGC summary of revenue and expenses for the base 'As Is' scenario is shown below. Each category has been listed separately.

Bill Roberts Golf Course – 'As Is'					
Operating Year	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
<b>Total Paid Rounds</b>	<b>44,200</b>	<b>44,200</b>	<b>44,200</b>	<b>44,200</b>	<b>44,200</b>
Daily Fee (incl. tourney)	11,050	11,050	11,050	11,050	11,050
Punch Card	7,500	7,500	7,500	7,500	7,500
Season Pass	25,650	25,650	25,650	25,650	25,650
<b>Season Passes</b>	<b>460</b>	<b>460</b>	<b>460</b>	<b>460</b>	<b>460</b>
Adult Single	159	156	154	151	148
Senior Single	106	109	111	114	117
Other Unrestricted	136	136	136	136	136
Total Restricted	59	59	59	59	59
<b>Revenues per Round</b>					
Daily Green Fees (incl. tournaments)	\$22.00	\$22.33	\$22.66	\$23.00	\$23.35
Punch Cards	\$15.00	\$15.23	\$15.45	\$15.69	\$15.92
Annual Cart (per Pass)	\$155.00	\$159.65	\$164.44	\$169.37	\$174.45
Daily Cart	\$2.35	\$2.39	\$2.42	\$2.46	\$2.49
Merchandise Sales	\$4.91	\$5.08	\$5.26	\$5.44	\$5.63
Driving Range	\$2.00	\$2.02	\$2.04	\$2.06	\$2.08
Food & Beverage	\$4.06	\$4.12	\$4.18	\$4.25	\$4.31
Instruction/Lessons	\$0.55	\$0.56	\$0.56	\$0.57	\$0.57
Miscellaneous Income	\$1.30	\$1.30	\$1.30	\$1.30	\$1.30
<b>Revenues per Season Pass</b>					
Adult Single	\$730	\$745	\$760	\$775	\$790
Senior Single	\$660	\$670	\$680	\$690	\$700
Other Unrestricted	\$460	\$460	\$460	\$460	\$460
Total Restricted	\$550	\$556	\$561	\$567	\$572
<b>Season Pass Revenues</b>					
Adult Single	\$116,070	\$116,220	\$117,040	\$117,025	\$116,920
Senior Single	\$69,960	\$73,030	\$75,480	\$78,660	\$81,900
Other Unrestricted	\$62,560	\$62,560	\$62,560	\$62,560	\$62,560
Total Restricted	\$32,450	\$32,775	\$33,102	\$33,433	\$33,768
<b>Total</b>	<b>\$281,040</b>	<b>\$284,585</b>	<b>\$288,182</b>	<b>\$291,678</b>	<b>\$295,148</b>

<b>Operating Revenues</b>					
Daily Green Fees	\$243,100	\$246,700	\$250,400	\$254,200	\$258,000
Punch Cards	\$112,500	\$114,200	\$115,900	\$117,600	\$119,400
Season Passes	\$281,000	\$284,600	\$288,200	\$291,700	\$295,100
Annual Cart	\$71,300	\$73,400	\$75,600	\$77,900	\$80,200
Daily Cart	\$103,900	\$105,400	\$107,000	\$108,600	\$110,200
Merchandise Sales	\$217,000	\$224,600	\$232,500	\$240,600	\$249,000
Driving Range	\$88,400	\$89,300	\$90,200	\$91,100	\$92,000
Food & Beverage	\$179,500	\$182,100	\$184,900	\$187,600	\$190,500
Meetings & Rentals (Net)	\$0	\$0	\$0	\$0	\$0
Instruction/Lessons	\$24,300	\$24,600	\$24,800	\$25,000	\$25,300
Simulator	\$19,000	\$19,600	\$20,200	\$20,800	\$21,400
Gaming Machines	\$0	\$0	\$0	\$0	\$0
Miscellaneous Income	\$57,500	\$57,500	\$57,500	\$57,500	\$57,500
<b>Total Operating Revenues</b>	<b>\$1,397,500</b>	<b>\$1,422,000</b>	<b>\$1,447,200</b>	<b>\$1,472,600</b>	<b>\$1,498,600</b>
<b>Cost Of Goods Sold</b>					
Merchandise	\$160,600	\$166,200	\$172,100	\$178,000	\$184,300
Food & Beverage	\$80,800	\$81,900	\$83,200	\$84,400	\$85,700
Instruction/Lessons (Commission)	\$12,200	\$12,300	\$12,400	\$12,500	\$12,700
Simulator	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000
<b>Total COGS</b>	<b>\$254,600</b>	<b>\$261,400</b>	<b>\$268,700</b>	<b>\$275,900</b>	<b>\$283,700</b>
<b>Adjusted Gross Revenue</b>	<b>\$1,142,900</b>	<b>\$1,160,600</b>	<b>\$1,178,500</b>	<b>\$1,196,700</b>	<b>\$1,214,900</b>
<b>Expenses</b>					
Personal Services	\$650,000	\$663,000	\$676,300	\$689,800	\$703,600
Supplies & Materials	\$90,000	\$91,800	\$93,600	\$95,500	\$97,400
Purchased, Fixed & Intra-City Charges	\$175,000	\$178,500	\$182,100	\$185,700	\$189,400
Internal Charges	\$112,000	\$114,200	\$116,500	\$118,800	\$121,200
<b>Total Operating Expenses</b>	<b>\$1,027,000</b>	<b>\$1,047,500</b>	<b>\$1,068,500</b>	<b>\$1,089,800</b>	<b>\$1,111,600</b>
<b>EBITDA</b>	<b>\$115,900</b>	<b>\$113,100</b>	<b>\$110,000</b>	<b>\$106,900</b>	<b>\$103,300</b>
<b>Non-Operating Expenses</b>					
Capital Budget	\$34,860	\$292,370	\$51,910	\$171,600	\$343,630
Debt Service	\$125,660	\$97,457	\$84,492	\$73,234	\$73,085
<b>Total Capital &amp; Debt Service</b>	<b>\$160,520</b>	<b>\$389,827</b>	<b>\$136,402</b>	<b>\$244,834</b>	<b>\$416,715</b>
<b>Net Income after Capital &amp; Debt</b>	<b>(\$44,620)</b>	<b>(\$276,707)</b>	<b>(\$26,402)</b>	<b>(\$137,934)</b>	<b>(\$313,415)</b>

### **Cash Flow Results**

The NGF Consulting preliminary cash flow projection shows that, if operated based on the parameters discussed previously, BRGC should generate about \$1.4 to \$1.5 million in total annual gross operating revenue over the near term (through FY 22), assuming stabilized rounds of  $\pm 44,000$  and only modest average annual increases in most revenue inputs. Considering preliminary expense estimates prepared by NGF Consulting, BRGC is projected to generate stabilized net operating income (before depreciation, capital, and debt costs) of  $\pm \$115,000$  each year through the next five fiscal years. At this level of net operating income, the Golf Fund is likely to continue to require periodic internal loans to meet its “below the line” expenses.

## FINANCIAL PROJECTIONS – NEW CLUBHOUSE SCENARIO (YR. 1 – YR. 5)

### Assumptions

For the new clubhouse scenario, NGF has essentially dropped the incremental revenue analysis on top of the base 'As Is' scenario. Please refer to assumptions and justifications for demand in that section. Other assumptions include:

- Years 1 through 5 reflect the first five full years of operation with the new clubhouse.
- Meetings and Rentals:
  - Based on discussions with City staff, NGF has assumed a *passive approach to sales* (i.e., mostly incoming calls, referrals, repeat business, etc.), and that these revenue figures can be achieved by use of grill & patio space without addition of a dedicated meeting room.
  - Gross sales are projected at \$50,000 in Year 1, growing at 10% annually
  - Cost of sales is 60% for servers, food & beverage, etc.;
- Gaming machines (VGMs):
  - Mostly newer models that offer reel-style slots games + poker + keno
  - Twelve machines; \$6,000 annual gross per machine, growing at 3% per year
  - Cost of sales = 50% license fee
- Incremental expenses are reflected in cost of sales, with exception of F&B revenue center; in addition to direct COGS, we assumed an additional \$90,000 in labor/other expenses in Year 1 under enhanced operations scenario. This figure is based off of 24 additional labor hours (kitchen, wait staff, etc.) per day @ \$10 per hour, with resulting number rounded up \$90,000.
- Start-up capital and equipment costs (e.g., kitchen, furniture, televisions, simulators) are not considered as part of the model.
- The Warranted Investment of the clubhouse project shown in the cash flow model is based on Year 1 net incremental revenues (Year 4 'stabilized' also shown) and the following financing terms: City Intercap Loan, with terms of 15 years, 1.55% interest rate, and 1:1 coverage ratio. For purposes of this study, NGF has utilized current interest rates for the Intercap Loan Program. *However, we note that this is a variable rate program, and that interest rates may change by the time financing for a new clubhouse is put in place.*

## Summary Financial Projections – Year 1 – Year 5

The overall BRGC summary of projected revenue and expenses for the New Clubhouse scenario is shown below. Each category has been listed separately. **Note:** *Debt service under 'Non-Operating Expenses' reflects only current obligations, and not any additional debt payment that would result from financing of a new clubhouse.*

Bill Roberts Golf Course – New Clubhouse Scenario					
Operating Year	<u>FY 2018</u>	<u>FY 2019</u>	<u>FY 2020</u>	<u>FY 2021</u>	<u>FY 2022</u>
<b>Total Paid Rounds</b>	<b>44,200</b>	<b>44,200</b>	<b>44,200</b>	<b>44,200</b>	<b>44,200</b>
Daily Fee (incl. tourney)	11,050	11,050	11,050	11,050	11,050
Punch Card	7,500	7,500	7,500	7,500	7,500
Season Pass	25,650	25,650	25,650	25,650	25,650
<b>Season Passes</b>	<b>460</b>	<b>460</b>	<b>460</b>	<b>460</b>	<b>460</b>
Adult Single	159	156	154	151	148
Senior Single	106	109	111	114	117
Other Unrestricted	136	136	136	136	136
Total Restricted	59	59	59	59	59
<b>Revenues per Round</b>					
Daily Green Fees (incl. tournaments)	\$22.00	\$22.33	\$22.66	\$23.00	\$23.35
Punch Cards	\$15.00	\$15.23	\$15.45	\$15.69	\$15.92
Annual Cart (per Pass)	\$155.00	\$159.65	\$164.44	\$169.37	\$174.45
Daily Cart	\$2.35	\$2.39	\$2.42	\$2.46	\$2.49
Merchandise Sales	\$5.65	\$5.93	\$6.23	\$6.54	\$6.87
Driving Range	\$2.00	\$2.02	\$2.04	\$2.06	\$2.08
Food & Beverage	\$8.00	\$8.24	\$8.49	\$8.74	\$9.00
Instruction/Lessons	\$0.71	\$0.73	\$0.74	\$0.76	\$0.78
Miscellaneous Income	\$1.30	\$1.30	\$1.30	\$1.30	\$1.30
<b>Revenues per Season Pass</b>					
Adult Single	\$730	\$745	\$760	\$775	\$790
Senior Single	\$660	\$670	\$680	\$690	\$700
Other Unrestricted	\$460	\$460	\$460	\$460	\$460
Total Restricted	\$550	\$556	\$561	\$567	\$572
<b>Season Pass Revenues</b>					
Adult Single	\$116,070	\$116,220	\$117,040	\$117,025	\$116,920
Senior Single	\$69,960	\$73,030	\$75,480	\$78,660	\$81,900
Other Unrestricted	\$62,560	\$62,560	\$62,560	\$62,560	\$62,560
Total Restricted	\$32,450	\$32,775	\$33,102	\$33,433	\$33,768
<b>Total</b>	<b>\$281,040</b>	<b>\$284,585</b>	<b>\$288,182</b>	<b>\$291,678</b>	<b>\$295,148</b>

<b>Operating Revenues</b>					
Daily Green Fees	\$243,100	\$246,700	\$250,400	\$254,200	\$258,000
Punch Cards	\$112,500	\$114,200	\$115,900	\$117,600	\$119,400
Season Passes	\$281,000	\$284,600	\$288,200	\$291,700	\$295,100
Annual Cart	\$71,300	\$73,400	\$75,600	\$77,900	\$80,200
Daily Cart	\$103,900	\$105,400	\$107,000	\$108,600	\$110,200
Merchandise Sales	\$249,700	\$262,100	\$275,300	\$289,000	\$303,500
Driving Range	\$88,400	\$89,300	\$90,200	\$91,100	\$92,000
Food & Beverage	\$353,600	\$364,200	\$375,100	\$386,400	\$398,000
Meetings & Rentals	\$50,000	\$55,000	\$60,500	\$66,600	\$73,300
Instruction/Lessons	\$31,300	\$32,100	\$32,900	\$33,700	\$34,600
Simulator	\$113,800	\$117,200	\$120,700	\$124,300	\$128,000
Gaming Machines	\$60,000	\$61,800	\$63,700	\$65,600	\$67,600
Miscellaneous Income	\$57,500	\$57,500	\$57,500	\$57,500	\$57,500
<b>Total Operating Revenues</b>	<b>\$1,816,100</b>	<b>\$1,863,500</b>	<b>\$1,913,000</b>	<b>\$1,964,200</b>	<b>\$2,017,400</b>
<b>Cost Of Goods Sold</b>					
Merchandise	\$184,800	\$194,000	\$203,700	\$213,900	\$224,600
Food & Beverage	\$159,100	\$163,900	\$168,800	\$173,900	\$179,100
Meetings & Rentals	\$30,000	\$33,000	\$36,300	\$39,960	\$43,980
Instruction/Lessons (Commission)	\$15,700	\$16,100	\$16,500	\$16,900	\$17,300
Simulator	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000
Gaming Machines	\$30,000	\$30,900	\$31,850	\$32,800	\$33,800
<b>Total COGS</b>	<b>\$421,600</b>	<b>\$439,900</b>	<b>\$459,150</b>	<b>\$479,460</b>	<b>\$500,780</b>
<b>Adjusted Gross Revenue</b>	<b>\$1,394,500</b>	<b>\$1,423,600</b>	<b>\$1,453,850</b>	<b>\$1,484,740</b>	<b>\$1,516,620</b>
<b>Expenses</b>					
Personal Services	\$740,000	\$754,800	\$769,900	\$785,300	\$801,000
Supplies & Materials	\$90,000	\$91,800	\$93,600	\$95,500	\$97,400
Purchased, Fixed & Intra-City Charges	\$175,000	\$178,500	\$182,100	\$185,700	\$189,400
Internal Charges	\$112,000	\$114,200	\$116,500	\$118,800	\$121,200
<b>Total Operating Expenses</b>	<b>\$1,117,000</b>	<b>\$1,139,300</b>	<b>\$1,162,100</b>	<b>\$1,185,300</b>	<b>\$1,209,000</b>
<b>EBITDA (Enhanced Operation)</b>	<b>\$277,500</b>	<b>\$284,300</b>	<b>\$291,750</b>	<b>\$299,440</b>	<b>\$307,620</b>
<b>EBITDA (Base Operation)</b>	<b>\$115,900</b>	<b>\$113,100</b>	<b>\$110,000</b>	<b>\$106,900</b>	<b>\$103,300</b>
<b>Net Incremental Revenue</b>	<b>\$161,600</b>	<b>\$171,200</b>	<b>\$181,750</b>	<b>\$192,540</b>	<b>\$204,320</b>
<b>Non-Operating Expenses</b>					
Capital Budget	\$34,860	\$292,370	\$51,910	\$171,600	\$343,630
Debt Service	\$125,660	\$97,457	\$84,492	\$73,234	\$73,085
<b>Total Capital &amp; Debt Service</b>	<b>\$160,520</b>	<b>\$389,827</b>	<b>\$136,402</b>	<b>\$244,834</b>	<b>\$416,715</b>
<b>Net Income after Capital &amp; Debt</b>	<b>\$116,980</b>	<b>(\$105,527)</b>	<b>\$155,348</b>	<b>\$54,606</b>	<b>(\$109,095)</b>
<b>Financing:</b>					
Term	15				
Int. Rate	1.55%				
Coverage	1:1				
Warranted Inv. (Year 1)	\$2,148,086				
Warranted Inv. (Year 4)	\$2,559,360				

Cash Flow Results

The NGF Consulting preliminary cash flow projection shows that BRGC, operating with the same rounds played and season pass sales activity but with a new clubhouse, should generate about \$1.82 million in total gross operating revenue in the first full year of operation after the building is completed. We project this number to grow to about \$2.02 million in total annual gross operating revenue by Year 5, under revenue center growth assumptions as presented above. Considering preliminary expense estimates prepared by NGF Consulting, BRGC is projected to generate stabilized net operating income (before depreciation, capital, and debt costs) of ±\$308,000 by Year 5 of operation.

LIMITING CONDITIONS

The income estimates presented by NGF Consulting have been prepared based on existing and projected market conditions, the quality of the subject facilities and the intended segment of the golf market toward which they are oriented. Proper uses of these estimates include:

- Establishing reasonable parameters for expected performance for the subject facility
- Determining an appropriate level for new capital investments the facilities can support
- Establishing the basis for financing determinations
- Providing guidelines for realistic expectations of income and expense

NGF Consulting is confident that some growth in activity and revenue can be achieved at BRGC. From a practical standpoint, those managing the facility will need to respond to variable market conditions and unforeseen maintenance needs. NGF Consulting is confident that the facility will be able to continue to achieve results as presented in our ‘As Is’ Scenario beyond the next five years of operation, though the looming replacement of the underground irrigation components (scheduled for FY 26) may put considerable strain on the Golf Fund’s ability to be completely self-sustaining.

ACTIVITY LEVEL CONCLUSIONS

When projecting activity levels for a golf course, it is important to realize that the total number of rounds played on a golf course in any given year may be lower than historical play patterns or market opportunity suggest. Our projections of performance for BRGC could differ materially from actual results should a few or more of the following conditions occur:

Stronger Performance	Weaker Performance
Future course closings	New course openings
Faster population growth than projected	Incorrect price levels
Positive regional publicity	Poor customer service
Lack of loyalty to existing courses	Deteriorating facility quality
Unforeseen surge in golf interest	Regional economic recession
Excellent yearly weather conditions	Poor yearly weather conditions

It is important for a consultant to project performance of a municipal golf asset in such a way as to help the City make financial decisions based on realistic expectations. It is obviously possible that financial results will be worse than projected. As we have noted, NGF does anticipate that the Golf Fund has a good chance to generate operating surpluses sufficient to fund capital needs and debt needs, when supplemented by reserves and, periodically, internal loans.

# Summary Statement

NGF's review shows that Bill Roberts Golf Course is very well-managed, gets excellent value out of its maintenance staff, and offers an enjoyable and affordable golf experience in a beautiful setting. It is very popular with local golfers, and serves many purposes for the community. The City (including GAB) and golf course management have utilized industry best practices to grow rounds and revenues in the face of national headwinds with respect to golf participation, and despite the facility limitations documented above with respect to revenue generation constraints.

The ultimate goal of enhancing BRGC's revenue generation capabilities with new and expanded revenue centers is so that the facility can be self-sustaining for the long run, without having to rely on fee increases or 'cut-to-the-bone' budgeting to cover operating, capital and debt costs each year. NGF experience has repeatedly shown us that this strategy can work for only so long, before unexpected expenses, and/or a downturn in revenues make it untenable.

Below are the key summary takeaways from the NGF study:

- The City faces some inherent constraints with respect to meaningfully increasing revenues at BRGC in its current configuration. These constraints include the reduced capacity of the golf course given the short golf season, the limited ability to sell 'rack' green fees and, most important, the substandard pro shop and clubhouse buildings.
- The performance of BRGC and all golf facilities is subject to uncontrollable factors that can affect demand, including a high fixed expense structure, operating expenses that tend to rise more rapidly than revenues, and yearly weather variations. This dynamic makes the goal of enhancing year-round revenue generation at BRGC even more important.
- Season passholders are the lifeblood of BRGC, and are among the heaviest users of other revenue centers at the facility. However, two dynamics with respect to the season pass program are constraining revenue growth. First, effective green fees for these customers are very low, as a result of low prices and a very high frequency of play. Second, with pass sales shifting aggressively toward lower fee categories, BRGC is essentially "running to stand still" with respect to season pass revenues, even in years with fee increases. This reinforces the point that the City must look beyond fee increases to ensure long-term sustainability.
- The golfer survey revealed that overall customer satisfaction with BRGC is generally good, though satisfaction benchmarked against other Standard price point facilities is roughly in the bottom 33%. The factors that showed highest level of satisfaction are related to golf course condition, scenery, and friendliness of staff, while pace of play, support amenities (clubhouse, pro shop) and on-course services fared worse.
- The survey response points toward strong support for a new clubhouse, with about 6 in 10 respondents indicating they would patronize more often if the City built a new golf clubhouse with a "sports themed" grill as described (15% were unsure). One in five said they would use the facility *much* more often, and among those who answered "yes", 79% said they would utilize the new grill during some days *when not golfing*.

- Based on NGF's conclusions regarding increased utilization of current revenue centers, addition of new revenue sources, and much broader appeal for existing and new user groups, we believe that the addition of a new multi-function 12-month clubhouse at BRGC will have significant positive impact on facility net revenues.
- NGF projected that the **Warranted Investment level for the new clubhouse is about \$2.15 million**, based on Year 1 cash flows and *current* InterCap Loan financing terms provided by the City. The number grows to nearly \$2.56 million when using 'stabilized' Year 4 net cash flows. Neither of these figures takes into account the impact of obviating the need for ADA related repairs (estimated \$130,000 for buildings) and other needed capital items, such as new roofs.
- While we believe the City has the opportunity to create a popular new community destination, it is essential that the new clubhouse be programmed correctly and not "overbuilt". If planned properly, the new clubhouse building should position Bill Roberts Golf Course to compete effectively and generate revenue at a high level for many years - well beyond the time the debt is paid off.

# Appendices

**A: Local Demographic, Demand and Supply Data**

**B: Bill Roberts Golf Course Fees**

**C: Simulator Estimated Utilization**

**D: Non-Economic Value of Public Golf**

**E: Golf Course Life Cycle**

**F: Player Development Support Items**

**G: National Rounds Played**

## APPENDIX A – LOCAL DEMOGRAPHIC, DEMAND AND SUPPLY DATA

### Bill Roberts Local Demographics

Bill Roberts Municipal Golf Course	10 miles	20 miles	50 miles	Lewis and Clark Cnty	Montana	U.S.
<b>Summary Demographics</b>						
Population 1990 Census	43,093	47,426	95,536	47,492	799,059	248,584,652
Population 2000 Census	49,371	55,965	107,082	55,715	902,198	281,399,034
CAGR 1990-2000	1.37%	1.67%	1.15%	1.61%	1.22%	1.25%
Population 2010 Census	56,223	64,469	116,262	63,395	989,415	308,745,538
CAGR 2000-2010	1.31%	1.42%	0.83%	1.30%	0.93%	0.93%
Population Estimate 2015	56,790	65,149	118,454	64,442	1,023,965	319,998,423
Population 2020 Projected	58,942	67,598	122,509	67,010	1,069,286	332,811,226
CAGR 2015-2020	0.47%	0.46%	0.42%	0.49%	0.54%	0.49%
CAGR 2010-2020	0.59%	0.59%	0.66%	0.70%	0.98%	0.94%
Median HH Income (2015 Estimate)	\$60,136	\$60,659	\$50,414	\$57,652	\$47,019	\$52,747
Median Age (2015 Estimate)	40.3	40.9	42.0	41.5	40.0	37.8
<b>Ethnicity</b>						
White	93.3%	93.4%	93.5%	93.4%	88.6%	71.10%
African American	0.7%	0.7%	0.6%	0.7%	0.6%	13.30%
Asian	0.7%	0.7%	0.7%	0.7%	0.8%	5.40%
All Other	5.3%	5.2%	5.3%	5.3%	10.0%	10.2%
<b>Hispanic Population</b>						
Hispanic	2.9%	2.9%	3.2%	2.9%	3.4%	17.00%
Not Hispanic	97.1%	97.1%	96.8%	97.1%	96.6%	83.00%
CAGR = Compound Annual Growth Rate						

## Bill Roberts Golf Demand and Supply Data

Bill Roberts Municipal Golf Course	10 miles	20 miles	50 miles	Lewis and Clark Cnty	Montana	U.S.
<b>Golf Demand Indicators</b>						
Total Households	25,203	27,156	49,986	27,571	427,693	123,276,069
Number of Golfing Households	3,734	4,054	6,941	3,971	57,455	17,094,503
Projected Golfing Households (2020)	3,816	4,169	6,891	4,090	59,406	17,802,020
Projected Annual Growth Rate	0.40%	0.60%	-0.10%	0.60%	0	0.8%
Seasonal Golfing Households	55	143	412	287	4,914	737,636
Latent Demand/Interested Non-Golfers	6,844	7,283	13,116	7,299	110,382	37,346,478
Household Participation Rate	14.80%	14.90%	13.90%	14.40%	0	13.9%
Number of Golfers	8,032	8,769	14,522	8,495	124,174	24,130,710
Rounds Potential (resident golfers)	102,847	116,319	208,687	123,134	1,853,639	465,791,320
Estimated Course Rounds (in-market supply)	104,637	104,637	221,495	104,637	2,308,927	465,791,320
<b>Demand Indices</b>						
Golfing Household Participation Rate	107	108	100	104	97	100
Seasonal Golfing Households	36	88	138	174	192	100
Latent Demand/Interested Non-Golfers	99	97	95	97	92	100
Rounds Potential per Household (resident golfers)	108	113	110	118	115	100

Bill Roberts Municipal Golf Course	10 miles	20 miles	50 miles	Lewis and Clark Cnty	Montana	U.S.
<b>Golf Supply</b>						
<b>Golf Facilities</b>						
Total	3	3	8	3	100	15,204
Public	2	2	6	2	82	11,388
Public: Daily Fee	1	1	3	1	68	8,906
Public: Municipal	1	1	3	1	14	2,482
Private	1	1	2	1	18	3,816
<b>Public Golf Facilities by Price Point</b>						
Premium (>\$70)	0	0	0	0	11	1,363
Standard (\$40-\$70)	2	2	3	2	27	4,013
Value (<\$40)	0	0	3	0	44	6,012
<b>Golf Holes</b>						
Total	72	72	144	72	1,467	257,193
Public	54	54	108	54	1,170	187,614
Public: Daily Fee	36	36	63	36	945	146,124
Public: Municipal	18	18	45	18	225	41,490
Private	18	18	36	18	297	69,579
Non-Regulation (Executive & Par-3)	18	18	27	18	126	21,348
<b>Net Change</b>						
Net Change in Holes past 5 years	0	0	0	0	18	-9,045
Percentage Total Holes Past 5 Yrs	0.00%	0.00%	0.00%	0.00%	1.20%	-3.4%
Net Change in Holes past 10 Years	0	0	0	0	81	-12,231
Percentage Total Holes Past 10 Yrs	0.00%	0.00%	0.00%	0.00%	5.80%	-4.5%

<b>Bill Roberts Municipal Golf Course</b>	<b>10 miles</b>	<b>20 miles</b>	<b>50 miles</b>	<b>Lewis and Clark Cnty</b>	<b>Montana</b>	<b>U.S.</b>
<b>Supply-Demand Ratios</b>						
<b><i>Households per 18 Holes</i></b>						
Total	6,301	6,789	6,248	6,893	5,248	8,628
Public	8,401	9,052	8,331	9,190	6,580	11,827
Public: Daily Fee	12,602	13,578	14,282	13,786	8,147	15,186
Public: Municipal	25,203	27,156	19,994	27,571	34,215	53,482
Private	25,203	27,156	24,993	27,571	25,921	31,891
Premium (>\$70)	0	0	0	0	32,899	74,555
Standard (\$40-\$70)	8,401	9,052	12,497	9,190	15,275	28,837
Value (<\$40)	0	0	24,993	0	17,821	27,428
<b><i>Golfing Households per 18 Holes</i></b>						
Total	934	1,014	868	993	705	1,196
Public	1,245	1,351	1,157	1,324	884	1,640
Public: Daily Fee	1,867	2,027	1,983	1,986	1,094	2,106
Public: Municipal	3,734	4,054	2,776	3,971	4,596	7,416
Private	3,734	4,054	3,471	3,971	3,482	4,422
Premium (>\$70)	0	0	0	0	4,420	10,338
Standard (\$40-\$70)	1,245	1,351	1,735	1,324	2,052	3,999
Value (<\$40)	0	0	3,471	0	2,394	3,803
<b><i>Household Indices</i></b>						
Total	73	79	72	80	61	100
Public	71	77	70	78	56	100
Private	79	85	78	86	81	100
Premium (>\$70)	0	0	0	0	44	100
Standard (\$40-\$70)	29	31	43	32	53	100
Value (<\$40)	0	0	91	0	65	100
<b><i>Golfing Household Indices</i></b>						
Total	78	85	73	83	59	100
Public	76	82	71	81	54	100
Private	84	92	78	90	79	100
Premium (>\$70)	0	0	0	0	43	100
Standard (\$40-\$70)	31	34	43	33	51	100
Value (<\$40)	0	0	91	0	63	100
<b><i>Rounds per 18 Holes</i></b>						
Rounds Potential (resident golfers)	25,712	29,080	26,086	30,784	22,744	32,599
Estimated Course Rounds (in-market supply)	26,159	26,159	27,687	26,159	28,330	32,599

## APPENDIX B – BILL ROBERTS GOLF COURSE FEES

Bill Roberts Municipal Golf Course						
Daily Green Fees	Daily		Senior/Junior/Student		Military	
	Walking	Riding	Walking	Riding	Walking	Riding
9 Holes	\$20	\$28	\$18	\$26	\$18	\$26
18 Holes	\$34	\$50	\$32	\$48	\$32	\$48
9 Hole Twilight	\$12.50	\$20.50	-	-	-	-

Punch Card Passes	
10 Rounds	\$155
30 Rounds	\$415
Senior/Junior/ Student - 10 Rounds	\$135
Active Military - 10 Rnds	\$135

Driving Range Rates	
<b>Bucket Rates</b>	
Small	\$6.00
Large	\$9.00
<b>Range Membership Rates</b>	
Single	\$220
Couples	\$295
Family	\$370

Season Passes (Unrestricted)	
Individual Adult	\$700
Adult Couple	\$1,090
Senior Individual (65+)	\$640
Senior Couple	\$1,050
Student (full time/23 yrs max)	\$380
Junior (18 and under)	\$175
Active Military	\$640

Season Passes (Restricted)*	
Individual Adult	\$575
Adult Couple	\$875
Senior Individual (65+)	\$525
Senior Couple	\$875
Student (full time/23 yrs max)	\$225
Active Military	\$525
* No play on weekends or after 3pm weekdays	

## APPENDIX C – SIMULATOR ESTIMATED UTILIZATION

<b>Bill Roberts Golf Course Simulator Estimated Utilization - Peak Season</b>						
<b>Utilization Assumptions</b>		<b>Year 1</b>	<b>Year 2</b>	<b>Year 3</b>	<b>Year 4</b>	<b>Year 5</b>
Est. # of Available Days	90					
Less Holidays & Bad Weather Days	3					
Potential Simulator Days	87	87	87	87	87	87
Potential Users		22	22	22	22	22
# stations	2					
# / hour	1					
# hours/day - average	11					
Estimated Utilization %		75.00%	77.00%	79.00%	80.00%	80.00%
= Number of "golfers"		1,400	1,500	1,500	1,500	1,500
<b>Golf Ball Revenue</b>						
Fee per Hour		\$32.00	\$34.00	\$35.00	\$36.00	\$37.00
<b>Gross Simulator Revenue</b>		<b>\$44,800</b>	<b>\$51,000</b>	<b>\$52,500</b>	<b>\$54,000</b>	<b>\$55,500</b>

<b>Bill Roberts Golf Course Simulator Estimated Utilization - Off Peak</b>						
<b>Utilization Assumptions</b>		<b>Year 1</b>	<b>Year 2</b>	<b>Year 3</b>	<b>Year 4</b>	<b>Year 5</b>
Est. # of Available Days	275					
Less Holidays & Bad Weather Days	2					
Potential Simulator Days	273	273	273	273	273	273
Potential Users		24	24	24	24	24
# stations	2					
# / hour	1					
# hours/day - average	12					
Estimated Utilization %		35.00%	37.50%	40.00%	40.00%	40.00%
= Number of "golfers"		2,300	2,500	2,600	2,600	2,600
<b>Golf Ball Revenue</b>						
Fee per Hour		\$30.00	\$32.00	\$33.00	\$34.00	\$35.00
<b>Gross Simulator Revenue</b>		<b>\$69,000</b>	<b>\$80,000</b>	<b>\$85,800</b>	<b>\$88,400</b>	<b>\$91,000</b>

## **APPENDIX D – NON-ECONOMIC VALUE OF PUBLIC GOLF**

In addition to the direct economic benefit derived from green, cart and other fees, a public-access golf course brings other value that cannot be measured directly in economics. Golf courses provide:

- Open spaces
- A healthy recreational outlet for residents
- A venue to attract visitors
- Enhancement to the overall quality of life
- Good reflection on the image/brand of a community
- Enhancement to local property values
- Golf-related jobs and income to the community through purchases, wages, and taxes

Additionally, a golf facility can elevate the quality of life, improve the health and well-being of citizens and provide an outlet for youth activities and programming.

### **Indirect Benefits to City of Helena**

The indirect, non-economic benefits of municipal golf in City of Helena include many factors related to quality of life and the enhancement of community recreation programs. In this case, there are specific benefits to the City from preserving Bill Roberts, as well as other more general benefits from having public (municipal) golf courses. These intrinsic value propositions are detailed below:

#### **Specific Benefits of Municipal Golf Course**

From the City's perspective, offering municipal golf service provides at least the following benefits:

- Provision of a high quality golf course for the enjoyment of the citizens of City of Helena, especially those not able or willing to belong to a private golf club.
- Marketing value (e.g., in drawing companies or professionals) for City of Helena, related to being a wonderful community in which to live, with a diverse array of recreational and cultural opportunities.
- Providing an exceptional venue for the scholastic use in practice rounds, inter-squad competition and tournaments.
- Providing a venue for hosting charity tournaments, outings, golf events and other fundraising activities that presently have direct cost to host at other golf facilities.
- Providing enhancement to City resident "quality of life" in areas such as community-based sport programs, parks and recreation programming and improved socialization.

## **Other Benefits of Municipal Golf**

Aside from the direct net cash flows that can result from a profitable daily operation and the specific issues related to the golf courses noted above, there are two main impacts from municipal golf within a city such as Helena: (1) indirect economic impact; and (2) recreation/programming impact.

### **Indirect Economic Impact**

Although an economic impact study has not been completed for Bill Roberts, the City can assume that the presence of the golf course adds to the economy of City of Helena by:

1. Job creation
2. An in-migration of golfers
3. Direct spending by visitors at off-site establishments such as gas stations, grocery stores, restaurants, and hotels
4. Sales tax revenue generation
5. Enhanced property values
6. The multiplier effect of indirect and induced spending throughout the local economy

### **Recreation and Programming Benefits**

Communities with municipal golf courses can offer:

1. Low fee golf service to residents
2. High quality outdoor recreation
3. Junior programs and camps
4. Scholastic programs
5. Community outreach
6. New golfer development programs

## APPENDIX E – GOLF COURSE LIFE CYCLE

# GOLF COURSE ITEMS EXPECTED LIFE CYCLE

### HOW LONG SHOULD PARTS OF THE GOLF COURSE LAST?

ITEM	YEARS	ITEM	YEARS
Greens (1)	15 – 30 years	Cart Paths – concrete	15 – 30 years
Bunker Sand	5 – 7 years	Practice Range Tees	5 – 10 years
Irrigation System	10 – 30 years	Tees	15 – 20 years
Irrigation Control System	10 – 15 years	Corrugated Metal Pipes	15 – 30 years
PVC Pipe (under pressure)	10 – 30 years	Bunker Drainage Pipes (3)	5 – 10 years
Pump Station	15 – 20 years	Mulch	1 – 3 years
Cart Paths – asphalt (2)	5 – 10 years (or longer)	Grass (4)	Varies

**NOTES:** (1) Several factors can weigh into the decision to replace greens: accumulation of layers on the surface of the original construction, the desire to convert to new grasses and response to changes in the game from an architectural standpoint (like the interaction between green speed and hole locations). (2) Assumes on-going maintenance beginning 1 – 2 years after installation. (3) Typically replaced because the sand is being changed — while the machinery is there to change sand, it's often a good time to replace the drainage pipes as well. (4) As new grasses enter the marketplace — for example, those that are more drought and disease tolerant — replanting may be appropriate, depending upon the site.

Component life spans can vary depending upon location of the golf course, quality of materials, original installation and past maintenance practices. We encourage golf course leaders to work with their golf course architect, superintendents and others to assess the longevity of their particular course's components.

The American Society of Golf Course Architects (ASGCA) thanks those at the USGA Green Section, Golf Course Builders Association of America, Golf Course Superintendents Association of America and various suppliers for their assistance in compiling this information.

The materials presented on this chart have been reviewed by the following Allied Associations of Golf:

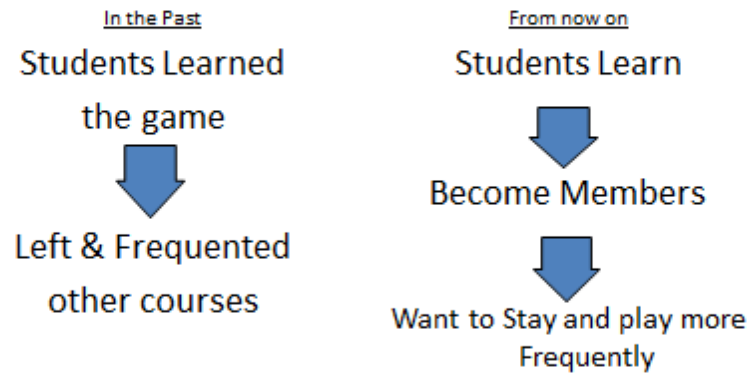
For more information,  
contact ASGCA at  
**262-786-5960** or  
**www.asgca.org**



## APPENDIX F – PLAYER DEVELOPMENT



## Focus on New Golfers



## Site Opening/Marketing Materials Continued



## Financial Assumptions...

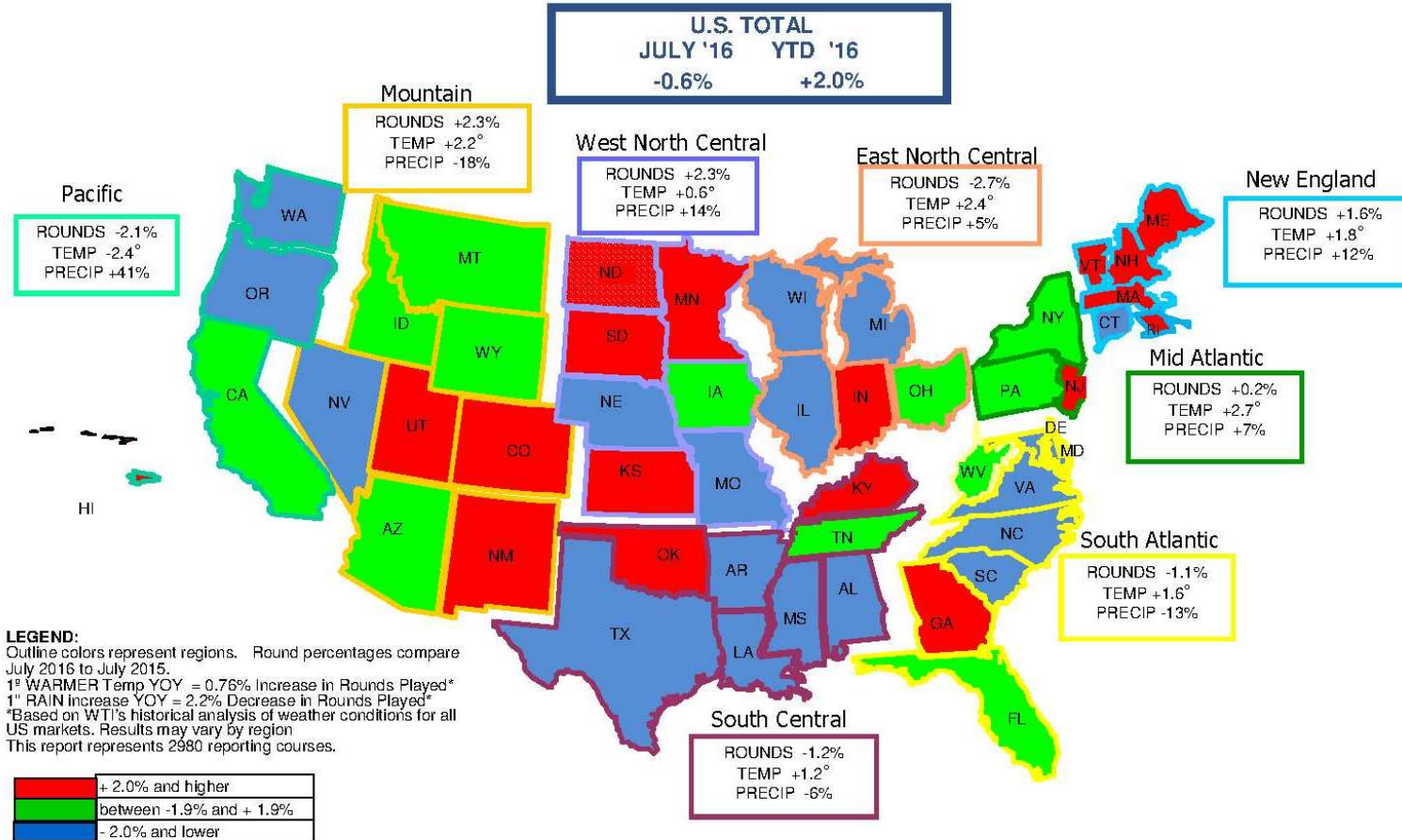
- Create 220 new golfers at \$149 ea. = \$33,000
  - 200 new golfers x 25 rounds = 5,000 rounds to facility
- Get 30 kids in your junior academy at an average cost of \$69 per month for 8-months = \$17,000
- Junior camp revenue--\$12,000
- Private lessons revenue = \$15,000
- Incremental revenue facility will receive from new golfers:
  - Cart Rental
  - Range balls
  - Food & beverage
  - Merchandise sales
  - Other guests green fees...

## APPENDIX G – NATIONAL ROUNDS PLAYED REPORT



# National Golf Rounds Played Report

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# National Golf Rounds Played Report

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## July 2016

	JULY	YTD
<b>PACIFIC</b>	<b>-2.1%</b>	<b>-3.0%</b>
CA	<b>-1.9%</b>	<b>-2.9%</b>
Los Angeles	-4.7%	-2.8%
Orange County	5.8%	1.3%
Palm Springs	-19.3%	-3.6%
Sacramento	-2.1%	-6.7%
San Diego	4.8%	1.9%
San Francisco/Oakland	2.3%	-5.2%
HI	<b>3.2%</b>	<b>1.1%</b>
OR	<b>-3.1%</b>	<b>-4.2%</b>
Portland	-4.0%	-6.1%
WA	<b>-3.1%</b>	<b>-3.6%</b>
Seattle	-4.1%	-5.1%
<b>MOUNTAIN</b>	<b>2.3%</b>	<b>1.2%</b>
AZ	<b>0.2%</b>	<b>3.1%</b>
Phoenix	-0.2%	2.1%
CO	<b>5.8%</b>	<b>4.9%</b>
Denver	3.9%	2.0%
ID, WY, MT	<b>-1.4%</b>	<b>-7.8%</b>
NM	<b>5.8%</b>	<b>2.5%</b>
NV	<b>-5.6%</b>	<b>1.7%</b>
Las Vegas	-1.4%	1.7%
UT	<b>6.0%</b>	<b>0.8%</b>
<b>WEST NORTH CENTRAL</b>	<b>2.3%</b>	<b>1.9%</b>
IA	<b>-0.5%</b>	<b>3.1%</b>
KS	<b>3.9%</b>	<b>4.6%</b>
NE	<b>-7.3%</b>	<b>-5.0%</b>
ND,SD	<b>17.8%</b>	<b>-4.3%</b>
MN	<b>4.6%</b>	<b>6.7%</b>
Minneapolis/St. Paul	3.0%	2.5%
MO	<b>-3.8%</b>	<b>-1.2%</b>
St Louis	-1.4%	5.8%
Kansas City	3.7%	4.7%

	JULY	YTD
<b>UNITED STATES</b>	<b>-0.6%</b>	<b>2.0%</b>
<b>PUBLIC ACCESS</b>	<b>-0.4%</b>	<b>2.4%</b>
<b>PRIVATE</b>	<b>-1.1%</b>	<b>0.1%</b>

<b>EAST NORTH CENTRAL</b>	<b>-2.7%</b>	<b>1.3%</b>
IL	<b>-4.0%</b>	<b>2.4%</b>
Chicago	-4.7%	1.4%
IN	<b>21.4%</b>	<b>13.5%</b>
MI	<b>-9.9%</b>	<b>-5.6%</b>
Detroit	-5.1%	0.6%
OH	<b>1.0%</b>	<b>8.9%</b>
Cincinnati	-0.5%	2.6%
Cleveland	1.5%	12.3%
Columbus	3.5%	12.3%
WI	<b>-7.1%</b>	<b>-9.5%</b>
Milwaukee	-1.2%	0.4%
<b>SOUTH CENTRAL</b>	<b>-1.2%</b>	<b>7.3%</b>
AL	<b>-6.6%</b>	<b>-0.6%</b>
Birmingham	2.7%	12.3%
AR	<b>-2.9%</b>	<b>2.7%</b>
KY	<b>10.1%</b>	<b>10.2%</b>
LA	<b>-11.5%</b>	<b>4.7%</b>
MS	<b>-4.0%</b>	<b>1.3%</b>
OK	<b>2.6%</b>	<b>10.3%</b>
Oklahoma City	0.3%	1.3%
TN	<b>1.7%</b>	<b>7.9%</b>
Nashville	4.1%	11.4%
TX	<b>-3.1%</b>	<b>8.9%</b>
Dallas/Ft. Worth	-10.5%	8.5%
Houston	3.5%	10.8%
San Antonio	12.1%	16.3%

<b>SOUTH ATLANTIC</b>	<b>-1.1%</b>	<b>-1.4%</b>
DE, DC, MD	<b>-3.8%</b>	<b>6.9%</b>
Washington/Baltimore	-2.5%	6.4%
FL	<b>1.0%</b>	<b>-6.9%</b>
Jacksonville/Daytona	1.1%	-0.5%
Orlando	-7.0%	-6.0%
Tampa	10.9%	-11.6%
Palm Beach	-7.9%	-9.4%
Sarasota	-0.5%	-16.9%
Naples/Ft. Myers	3.1%	-5.4%
Miami/Ft. Lauderdale	4.1%	0.0%
GA	<b>6.5%</b>	<b>10.3%</b>
Atlanta	3.8%	9.3%
NC	<b>-3.5%</b>	<b>4.8%</b>
Greensboro/Raleigh	-6.3%	6.5%
SC	<b>-3.8%</b>	<b>-3.9%</b>
Charleston	-0.8%	-3.7%
Hilton Head	-6.1%	-2.1%
Myrtle Beach	-9.4%	-2.3%
VA	<b>-5.9%</b>	<b>3.1%</b>
WV	<b>0.9%</b>	<b>5.4%</b>
<b>MID ATLANTIC</b>	<b>0.2%</b>	<b>8.5%</b>
NJ	<b>2.8%</b>	<b>9.3%</b>
NY	<b>-1.3%</b>	<b>10.2%</b>
New York City	3.4%	13.8%
PA	<b>1.2%</b>	<b>6.1%</b>
Philadelphia	-1.4%	1.4%
Pittsburgh	3.7%	15.8%
<b>NEW ENGLAND</b>	<b>1.6%</b>	<b>11.8%</b>
CT	<b>-10.8%</b>	<b>3.1%</b>
Hartford	-13.3%	3.8%
MA, RI	<b>2.4%</b>	<b>14.1%</b>
Boston	3.4%	16.4%
ME, NH, VT	<b>8.3%</b>	<b>14.5%</b>

The percentages represent the differences in number of rounds played comparing July 2016 to July 2015.  
For more information contact Golf Datatech, [golfroundsplayed@golfdatatech.com](mailto:golfroundsplayed@golfdatatech.com) or call 407-944-4116